

CITY OF KODIAK, ALASKA

Comprehensive Annual
Financial Report

For the Year Ended June 30, 2009

Prepared by City of Kodiak Finance Department

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CITY OF KODIAK, ALASKA

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INTRODUCTORY
SECTION



December 22, 2009

To the Honorable Mayor and Members of the City Council,
The Citizens of the City of Kodiak:

We are pleased to present the City of Kodiak's (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2009. The report is designed to fairly present the financial position and results of financial operations of the City in all material respects and to demonstrate compliance with applicable finance related legal and contractual provisions. The report adheres to the principle of full disclosure so that readers may gain a maximum understanding of the City's financial affairs. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various City funds. The responsibility for the accuracy, completeness and fairness of the data presented in the report, including all disclosures, rests with the City of Kodiak.

The finance department has prepared this report in accordance with the following standards:

- Generally Accepted Accounting Principles (GAAP) of the United States, which are uniform minimum standards and guidelines for financial accounting and reporting in the United States.
- Governmental accounting and financial report statements, interpretations and technical bulletins issued by the Governmental Accounting Standards Board (GASB).

INDEPENDENT AUDIT

Article V, Section 21 of the City Charter requires an annual audit of the accounting and financial records of the City by independent certified public accountants. This charter section requires the auditor to examine all funds of the City in accordance with generally accepted auditing standards and the standards set forth in the Government Accountability Office's *Government Auditing Standards*. In addition, the auditor must conduct the compliance examinations required by the Single Audit Act Amendments of 1996, the related U.S. Office of Management and Budget's Circular A-133, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of grants.

The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Kodiak for the fiscal year ended June 30, 2009, are free of material misstatement. The City of Kodiak has selected the licensed certified public accounting firm of Mikunda, Cottrell & Company to perform these audit services. Their reports are presented in the Financial Statements Section and the Single Audit Section of this report. Mikunda, Cottrell & Company has issued an unqualified ("clean") opinion on the City of Kodiak's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MDA). This letter of transmittal is designed to compliment the MDA and should be read in conjunction with it. The City of Kodiak's MDA can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY

Kodiak Island is the largest island in Alaska and the second largest in the United States. It is part of the Kodiak Island Archipelago, a group of islands that stretch roughly 177 miles along the Katmai Coast of the Alaska Peninsula in the Gulf of Alaska, about 250 miles southwest of Anchorage. The sixteen major and countless smaller islands that make up the group encompass over 5,000 square miles, roughly the size of Connecticut. In 2007 the estimated population of the Kodiak Region was 13,568 with a population of 5,974 in the City of Kodiak.

Its location in the Gulf of Alaska and North Pacific Ocean places Kodiak near some of the richest fishing grounds in the world. Kodiak is consistently one of the top three commercial fishing ports in the United States in terms of the value and volume of seafood landed. More than one-third of the jobs in Kodiak are directly involved in the fishing industry, in either the harvesting or processing sectors.

The City of Kodiak is located on the northeast tip of Kodiak Island, 50 minutes by air from Anchorage. The city is the economic, transportation and governmental hub of the region. It is located within the Kodiak Island Borough, which encompasses the entire island group, as well as a portion of the Katmai Coast on the Alaska Peninsula.

The Alaska Marine Highway System connects the City of Kodiak with Port Lions and communities on the Alaska Mainland as well with communities along the Alaska Peninsula and the Aleutian Chain.

The City of Kodiak was incorporated in December 1940, and adopted a Home Rule Charter on March 16, 1964. The City operates under a Council-Manager form of government with six Council Members and a Mayor. Council Members and the Mayor are elected at-large for terms of three years and two years, respectively.

The Council appoints the City Manager who is responsible for appointing and supervising the various department heads and other employees (except those appointed by the Council) and preparing and administering the annual budget and the capital improvement program. Under the City Manager's general direction are eight functional areas (departments), each of which is supervised by a department head. These areas are: port and harbors, engineering, finance, fire and EMS, library, parks and recreation, police and jail, and public works. An administrative support function and certain non-departmental activities are provided by the Manager's office.

The City services provided by these departments includes police and fire protection, jail services, animal control, regional dispatch services (including E-911), ambulance services, boat harbors and port/cargo facilities, street maintenance, airport facilities, water and sewer services, building inspection services, recreation programs, park operations and maintenance, including museum and cemetery operations, and library services. The City also supplies water and accepts discharge to the wastewater treatment facility from the Kodiak Island Borough's Service District #1 located outside the City.

The City Council also appoints the City Clerk, the City Attorney, and the members of various advisory boards.

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

The annual budget serves as the foundation of the City of Kodiak's financial planning and control. The City Charter, Article V, requires the City Manager to submit a balanced budget to the City Council at least three weeks before the beginning of the fiscal year. The annual budget process begins in February with the establishment of budget guidelines by the City Council and the City Manager. These guidelines encompass the delivery and scope of services; staffing levels of permanent personnel, increases in rates if any, and the use of fund balance. Each department head reviews their respective department's goals, objectives, performance indicators, assigned permanent personnel and funding levels and recommends any changes to the Finance Director and the City Manager for review prior to inclusion in the City's general operating and capital improvement budgets. The City Manager then submits the budget to the City Council for consideration in early May.

The Council reviews the budget with the City Manager and changes to anticipated revenues and planned expenditures are incorporated into the budget ordinance, which is introduced for the first reading at a May Council meeting. The Council holds a public hearing on the proposed budget at least one week after a notice of the time of the hearing has been published. The budget is formally adopted after the public hearing by the City Council in June. The adoption of the budget by the City Council puts the budget into effect for the budget year July 1 through June 30. Throughout the year, it is customary for the City Council to review and approve supplemental budget amendments presented by the City Manager.

As a management tool, budgetary control is maintained in all funds at the departmental level and by the encumbrance of estimated purchase amounts before the release of purchase orders to vendors. Upon the written request of a department head, the Finance Director and City Manager may transfer budgetary appropriations between or among budget line items within any department, program, or project, so long as the transfer does not increase the total appropriation for the department, program, or project. However, no transfer can be made for the purpose of adding permanent personnel or granting unscheduled salary increases, unless approved by the City Council. Likewise, anticipated revenues within a fund may be adjusted so long as there is not an increase or decrease of the total revenues of that fund. An ordinance of the City Council is required to move appropriated amounts between funds, departments, and projects, to add new appropriations, or increase the number of permanent personnel budgeted.

The City Manager is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse. Internal controls are intended to provide reasonable, but not absolute assurance that these objectives are met. In addition, the Finance Department provides controls through policies and procedures that create multiple checks and balances.

Budget-to-actual comparisons are provided in this report for various funds for which an appropriated annual budget has been adopted.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kodiak operates. The City of Kodiak has adopted maintenance budgets over the past few years sustaining the same level of service as provided in previous years without an increase in taxes. The City levies a 6% sales tax on all sales, services and rentals made within City limits. The maximum taxable sale is \$750 per transaction. The City first increased the rate from 3% to 5% in October 1979. The tax was then increased to its current rate of 6%, effective July, 1993 and has remained at that rate. Sales tax continues to generate the City's largest portion of General Fund revenues. In fiscal year 2009 sales tax revenue was nearly 61% of total General Fund revenues. Sales tax revenue has the greatest impact on the General Fund expenditures and has shown a steady increase each fiscal year. The City maintains the mill rate for the General Fund at 2.00 mill levy on property and is collected by the Kodiak Island Borough. The assessed value for property in the City of Kodiak for fiscal year 2009 was \$326,314,738 and generated \$651,699 in revenues. The City has been able to maintain a stable workforce and has been able to keep all departmental expenditures within or lower than budgeted totals. The City's economy has experienced consistent, gradual growth and local indicators point to continued growth and stability.

LOCAL ECONOMY

The economic condition of Kodiak remains relatively stable. The main industries of the region are commercial fishing and tourism. While some segments of the commercial fishing industry have declined in recent years, others have grown. Tourism continues to grow in Kodiak with an increased number of visitors each year.

The Kodiak Chamber of Commerce, with funding assistance from the City of Kodiak and the Kodiak Island Borough, produces a Kodiak Community Profile and Economic Indicators report that it distributes to the public. The information below is from this report, as well as from information collected by the City.

SEAFOOD INDUSTRY

Kodiak is the center of fishing activities for the Gulf of Alaska. Its fishing industry is among the most diverse in the State of Alaska. Residents participate in at least 27 different fisheries not including the numerous groundfish fisheries. Kodiak is consistently one of the top three fishing ports in the United States. Salmon has traditionally been a mainstay of Kodiak's fisheries. Because of the cyclic nature of the salmon fishery the volume and value of Kodiak's salmon catch varies greatly from year to year. Increased competition in world markets had driven salmon prices to lows although prices have rebounded in the past few years. During recent years, the groundfish fishery has become increasingly important to Kodiak's economy.

In addition to the fish harvesting and processing sectors, there are also several government and educational institutions that conduct fisheries-related research in Kodiak. The National Marine Fisheries Service Utilization and Research Division, along with the University of Alaska's Fisheries Industrial Technology Center, provide lab services, quality and handling studies, product development assistance and other fishery related research efforts.

VISITOR INDUSTRY

Tourism, like many other Kodiak industries, is based on our natural resources. Tourists come to Kodiak to view the scenic beauty, hike, camp, visit historical and cultural sites, view and photograph wildlife, and hunt and fish. The visitor industry has seen some growth over the past five years.

As is true elsewhere in Alaska, Kodiak's visitor industry is primarily seasonal with approximately 76% of all visitors arriving during the summer months. The total number of annual visitors to the Kodiak region is approximately 30,000; more than double the population of the region.

Kodiak's share of the Southwest Alaska visitor market is approximately 31%. According to the Alaska Visitor Statistics Program, visitors to Kodiak and other Southwest Alaska destinations tend to stay longer than the average visitor to the state, and are significantly more likely to be repeat visitors. Additionally these visitors typically spend more than twice as much as the average visitor to other regions of Alaska.

AEROSPACE INDUSTRY

The mission of the Alaska Aerospace Development Corporation (AADC) includes operating, in Alaska, a launch facility promoting aerospace-related economic growth and developing corresponding technologies and support services. The Kodiak Launch Complex (KLC) is the nation's first launch facility not located on federal property and is positioned to meet the challenges and define Alaska's future role in the highly competitive launch industry.

The KLC celebrated its first mission in November 1998. The second successful launch from KLC lifted off in September 1999. The state of the art facility includes a launch control center, payload processing facility, spacecraft assembly building and launch pad. Additional support structures have been constructed in recent years. KLC is designed to handle small to medium sized rockets used to launch low-earth satellites, as well as military, scientific and research missions.

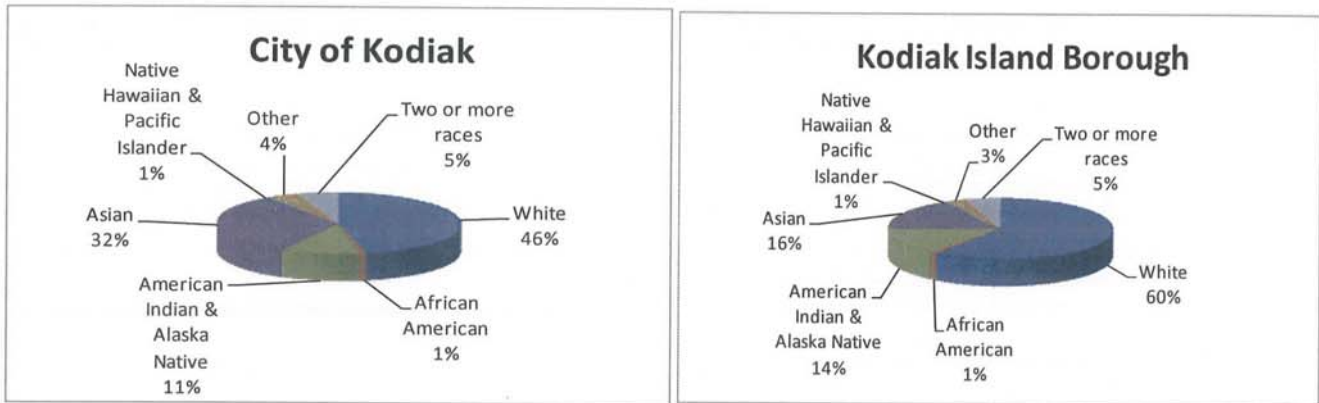
According to the independent research and consulting firms Information Insights, Inc. and Van Wyhe Rogers, LLC in 2005 AADC spending generated approximately \$24 million impact on the Kodiak economy - \$21.2 million from purchases and hospitality, and \$3.2 million in payroll. AADC spent \$6.7 million in the direct purchase of goods and services in the Kodiak Island Borough, which was distributed among 82 businesses. AADC and its launch customers also spend an estimated \$1.9 million on travel and contract workers on site, and its spending creates an additional 72 jobs in the Kodiak economy.

POPULATION

According to Alaska Department of Labor, the 2007 estimated population of the City of Kodiak is 5,974. The City of Kodiak is the eighth largest city in Alaska, in terms of population. It ranks behind Anchorage, Fairbanks, Juneau, Sitka, Ketchikan, Kenai, and Wasilla in that order.

The median age in Kodiak is 33.5 years. Approximately 32.4% of the population is under 18 years of age, about 1% higher than Alaska overall. 53% of the population is male and 47% female. Approximately 18.7% of the adults, age 25 and older, hold at least a bachelor's degree, and 85.3% are estimated to have at least a high school diploma.

Comparison of Ethnic Diversity
U S Census Bureau, Census 2000
Kodiak Island Borough

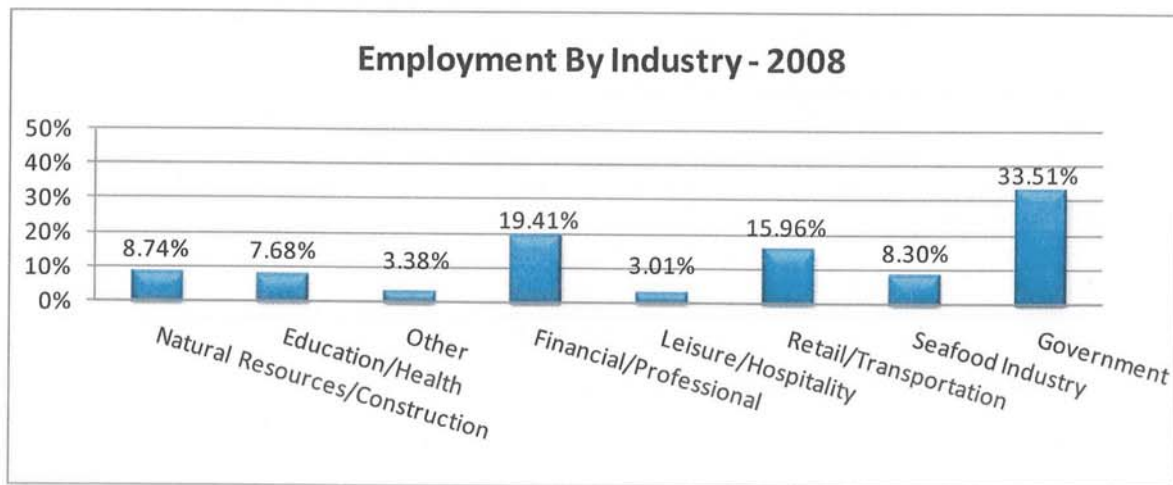


LABOR FORCE

In 2008, the state estimated the Kodiak region's average monthly employment to be 4,577 excluding fish harvesting and Coast Guard. This figure more accurately depicts the number of full and part-time jobs as opposed to the number of actual workers.

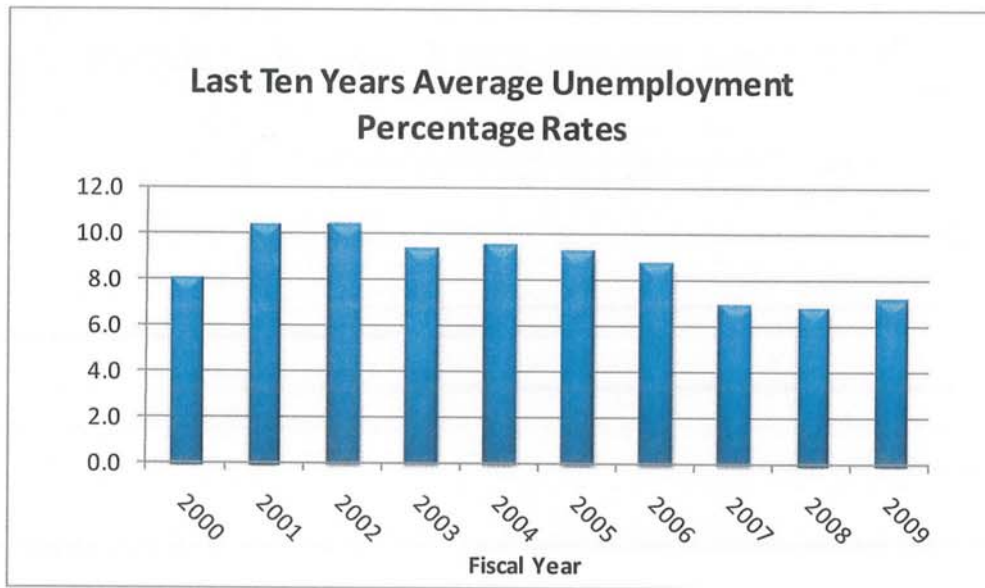
The U.S. Coast Guard and other government entities is the dominant industry, in terms of employment with 35% of the total. The seafood industry (includes fish harvesting and seafood processing) is the next largest employment sector, with 27%. Retail trade/transportation /utilities accounted for about 11%, education/health 7%, financial/information/professional and business 6%, leisure and hospitality 6%, natural resources/construction 4% and other services 3%.

The following chart shows the distribution of the workforce in 2008.



Kodiak's employment varies throughout the year due to the seasonal nature of the fishing industry.

Employment usually peaks during the months of July, August, and September when fish harvesting is the busiest, and declines in November and December as yearly fishing quotas are reached. For this reason, Kodiak is characterized by large swings in its monthly unemployment rate throughout the year, from as low as 6.8% to as high as 10.4%. The average annual unemployment rate for Kodiak in fiscal year 2009 was 6.6%.



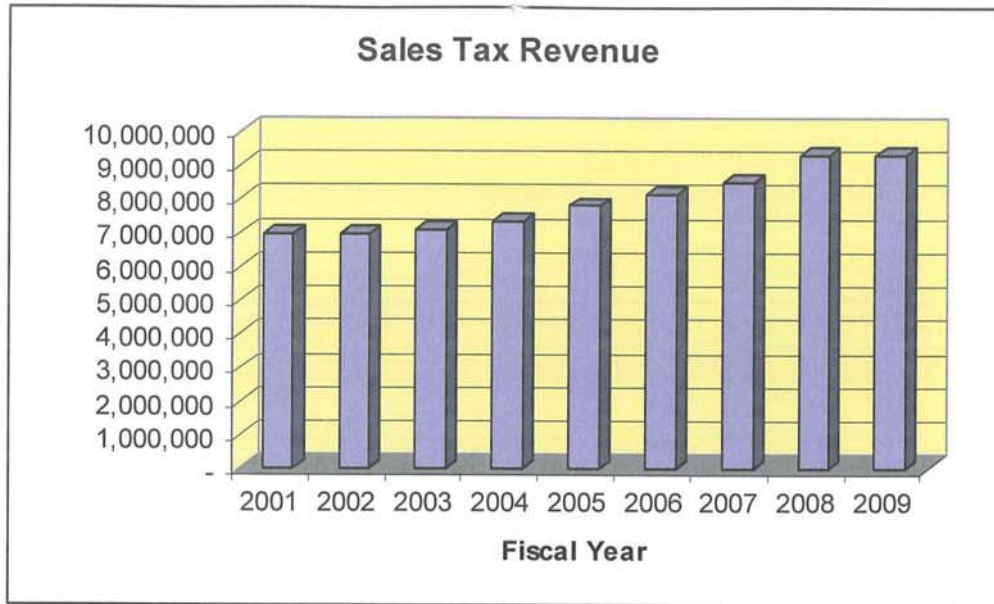
INCOME

In 2007, the Alaska Department of Labor reported the annual average monthly wage for workers in the Kodiak region was \$3,060. Total payroll in 2007 was \$206.2 million. In 2006 Kodiak's annual average wage was \$36,717 compared to a statewide average of \$43,524.

RETAIL SALES

Total retail sales within the city have increased more than 79% since 1994. There is a close correlation between retail sales and the strength of local fisheries. In 1995, after a record breaking salmon season, retail sales climbed 9%. In the second half of 1996, when the salmon harvest dropped and fish prices fell, retail sales went down approximately 10% to 12%. Retail sales have increased significantly since the opening of a local Wal-Mart store in the spring of 1999.

Sales Tax has increased from \$6.9 million in 2000 to \$9.3 million in 2009. The City's sales tax rate is 6% with a maximum sales tax of \$45 per transaction. This translates to taxing the first \$750 of a sale and exempting any amount over \$750 in any one transaction. The City also exempts its citizens over the age of 65 from sales tax.



LONG-TERM FINANCIAL PLANNING

- Develop expenditure habits partially based on anticipated based on State Revenues.
- Minimize disruption to community services.
- Minimize disruption of city workforce.
- Create long-term financial and programmatic stability.
- Evaluate impacts of budget decisions and use of fund balance to maintain program levels.
- Reduce expenses related to accidents by keeping employee safety a high priority.
- Maintain the economy, environment, and the community to create a balance and sustainable atmosphere for the City of Kodiak.
- Have no reduction of services, and maintain all services at consistent levels.
- Review and implement rate studies to ensure proper fee structures for all services.

MAJOR INITIATIVES

The City of Kodiak is working to complete the following Capital Improvement projects:

Projects that were or will be completed in early fiscal year 2010:

- Completed the Communication Study Upgrade project with a project budget of \$1,689,742 – total expensed \$1,686,523.
- Completed the St. Herman Harbor M & P Float Replacement project with a budget of \$9,820,000 – total expensed \$9,918,950.
- Completed work on the Selief Lane Playground project with a project budget of \$90,000 – total expensed \$88,719.
- Construction in Progress on the Police Station – Replacement of the Police Station Building with a budget of \$22,000,000. Total expensed to date is \$1,994,793.
- Construction in Progress on the Boat Yard Vessel Lift project with a budgeted amount of \$18,700,000 – total expensed to date is \$10,520,134.

Future projects:

- UV Water Treatment Facility Construction – The federal Enhanced Surface Water Treatment Rule requires all unfiltered surface water drinking supplies, such as the City of Kodiak's, to use a minimum of two disinfectant methods: (Cost estimate - \$9,000,000).
- New Jail Portion of the Police Building – Jail and Operations of Jail: (Cost estimate - \$5,800,000).
- Emergency Operations Response Center Construction – The community does not have a functional Emergency Operations/Response Center. The importance of and need for such a facility has become even more apparent as the community addresses homeland security issues, in addition to natural disaster response. (Cost estimate - \$1,350,000).
- Continued implementation of comprehensive sewer and water system improvements – including the Aleutian Homes Phase IV – (Cost estimate - \$720,000).
- New Public Library Construction – The City Public Library serves the entire Kodiak region and beyond, and has outgrown its current building, a building that has also reached the end of its useful life. A local citizen's group, the Kodiak Public Library Association, has committed to raising private funds to support the construction of a new library for the community. (Cost estimate - \$5,000,000).
- Baranof Park Improvements – This project will replace the aging track, field drainage, and the bleacher area in Baranof Park. The track is the only regulation track located in the Kodiak region and in need of replacement. (Cost estimate – \$6,000,000).

Strong fiscal management remains a hallmark of the City of Kodiak and has enabled the City to respond to priority needs quickly.

Like other local governments in the State of Alaska, the City of Kodiak faces the challenge of fulfilling its responsibilities as some sources of revenue are becoming less certain. State law and local ordinances require that the City provide specific services and programs. Other programs and services have been implemented either to meet the specific needs of Kodiak residents, or to replace services that were once provided to local residents by the state and federal governments. The City of Kodiak must balance the provision of services with revenue. The balancing process requires decisions on the types and levels of services that can be provided to the public.

CASH MANAGEMENT

The primary objective of the City's cash management and investment program is the safety and preservation of principal, liquidity, and yield.

The City takes full advantage of temporarily idle cash and the scheduling of vendor payments. To ensure the most competitive rates on investments, the cash resources of individual funds are combined to form a pool of cash and investments. The investment portfolio is composed of obligations of the U.S. Government and its agencies and the Alaska Municipal League Investment Pool. The maturities of investments range from 30 days to 2 years for the general operating funds, and 30 days to 5 years for the City's Enhancement Fund. Wells Fargo Bank holds the City's investments in obligations of the U.S. Government and its agencies in an account in the City's name. All investments are stated at fair market value.

The total for U.S. government agencies investments in fiscal year 2009 was \$15,621,840, and \$13,702,356 in investments in the Alaska Municipal League Investment Pool.

RISK MANAGEMENT PROGRAM

The City's risk management program is designed to protect against accidental losses that would significantly affect personnel, property, the budget, or the City's ability to fulfill its responsibility to the taxpayers and the public. To limit its exposure to the various risks of loss, the City carries several types of insurance and, has joined a risk management pool. In addition, the risk management program includes employee training to improve safety and reduce claims.

PENSION BENEFITS

The City of Kodiak participates in the Alaska Public Employees' Retirement System (PERS). PERS is both a defined benefit and a defined contribution, multiple-employer public employee retirement system that covers both State and Local Government employees. The plan was established and is administered by the State of Alaska. Participation in the plan is mandatory for regular full-time City employees. There is no optional participation for other employees. City of Kodiak PERS members are required to contribute a percentage of their covered salary and the City is required to contribute at an actuarial determined rate, to the system.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kodiak for its comprehensive annual financial report for the fiscal year ending June 30, 2008. This was the seventh consecutive year that the City achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

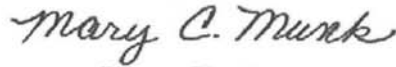
In addition, the City of Kodiak also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ending June 30, 2009. In order to qualify for the Distinguished Budget Presentation Award, the budget document must be judged to be proficient in specified categories, including its use as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all the members of the finance department who assisted in the preparation of this report. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Kodiak's finances.

Respectfully Submitted,



City Manager
Aimée Kniaziowski



Finance Director
Mary C. Munk

**CITY OF KODIAK
FACT SHEET**

FORM OF GOVERNMENT

- Home Rule City with Council-Manager form of government
- City residents elect a Mayor and Six Council members to serve at-large
- City Council meets on the second and fourth Thursday of each month at 7:30 p.m. in the Borough Assembly Chambers, 710 Mill Bay Road. The public is invited to attend.
- City Web Site – <http://www.city.kodiak.ak.us>

CITY DEPARTMENTS

NAME	DEPARTMENT	E-Mail	PHONE
Aimee Kniazowski	City Manager	akniazowski@city.kodiak.ak.us	907-486-8640
Joseph D'Elia	Library	jdelia@city.kodiak.ak.us	907-486-8686
Ian Fulp	Parks & Recreation	ifulp@city.kodiak.ak.us	907-486-8665
T.C. Kamai	Police	ckamai@city.kodiak.ak.us	907-486-8000
Rome Kamai	Fire	rkamai@city.kodiak.ak.us	907-486-8040
Mark Kozak	Public Works	mkozak@city.kodiak.ak.us	907-486-8060
Debra Marlar	City Clerk	dmarlar@city.kodiak.ak.us	907-486-8636
Mary Munk	Finance	mmunk@city.kodiak.ak.us	907-486-8659
Marty Owen	Boat Harbor	mowen@city.kodiak.ak.us	907-486-8080
Howard Weston	Engineering	hweston@city.kodiak.ak.us	907-486-8065

ELECTED OFFICIALS

NAME	OFFICE	E-Mail	PHONE
Carolyn L. Floyd	Mayor	mayor@city.kodiak.ak.us	907-486-5142
Paul B. Smith	Council Member	council@city.kodiak.ak.us	90-7-486-0925
Terry J. Haines	Council Member	council@city.kodiak.ak.us	907-486-4759
Charles E. Davidson	Council Member	council@city.kodiak.ak.us	907-486-3896
Josephina F. Rosales	Council Member	council@city.kodiak.ak.us	907-486-6585
Gabriel T. Saravia	Council Member	council@city.kodiak.ak.us	907-486-3212
Thomas D. Walters	Council Member	council@city.kodiak.ak.us	907-486-6485

ADVISORY BOARDS

Building Code Board of Appeals (as needed)

Parks & Recreation Advisory Board

Personnel Board (inactive)

Port & Harbor Advisory Board

Public Safety Advisory Board (inactive)

Employee Advisory Board (Board members are elected by City employees)

Kodiak Public Library Association (an independent organization supporting the Library)

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kodiak
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

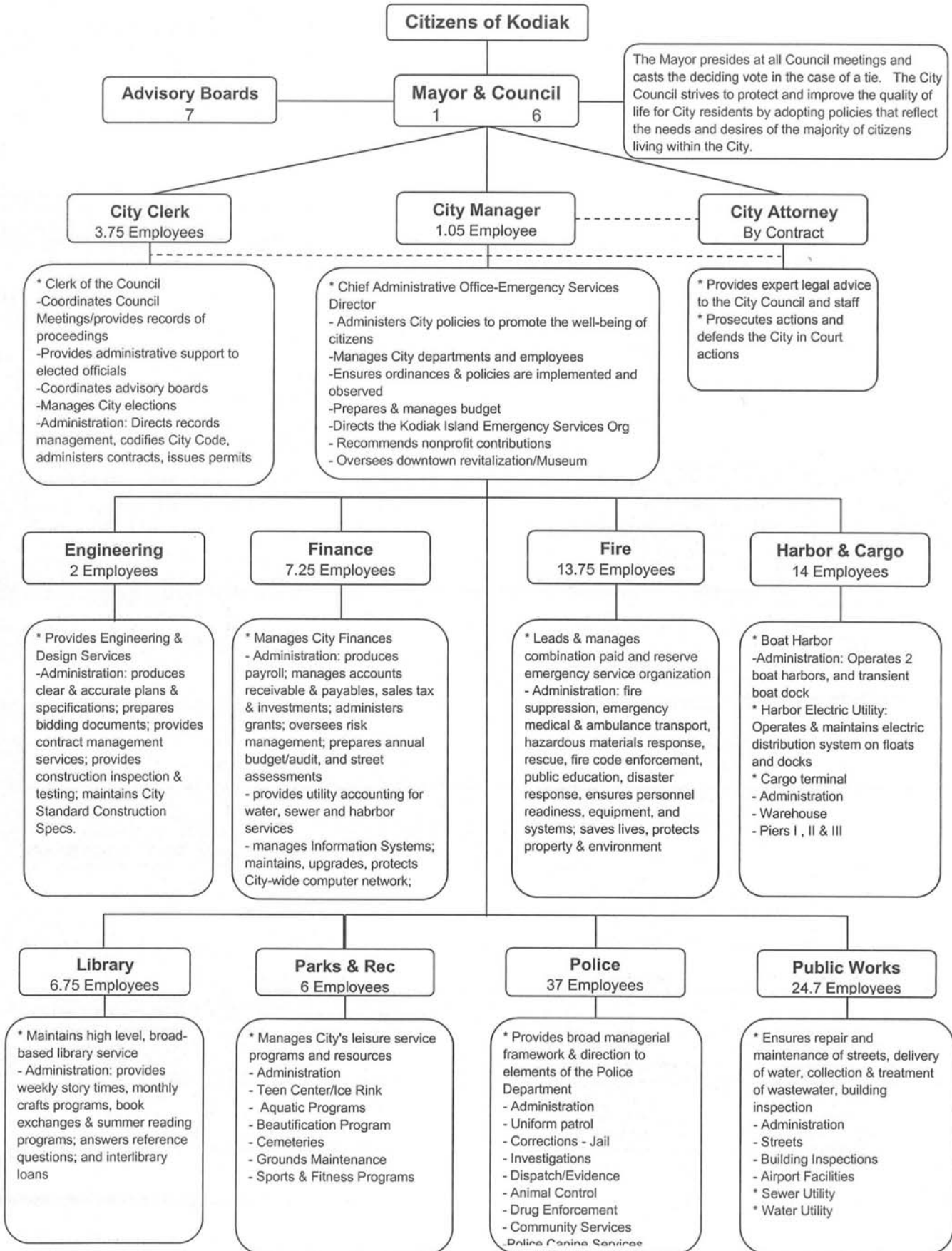
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF KODIAK ORGANIZATIONAL CHART

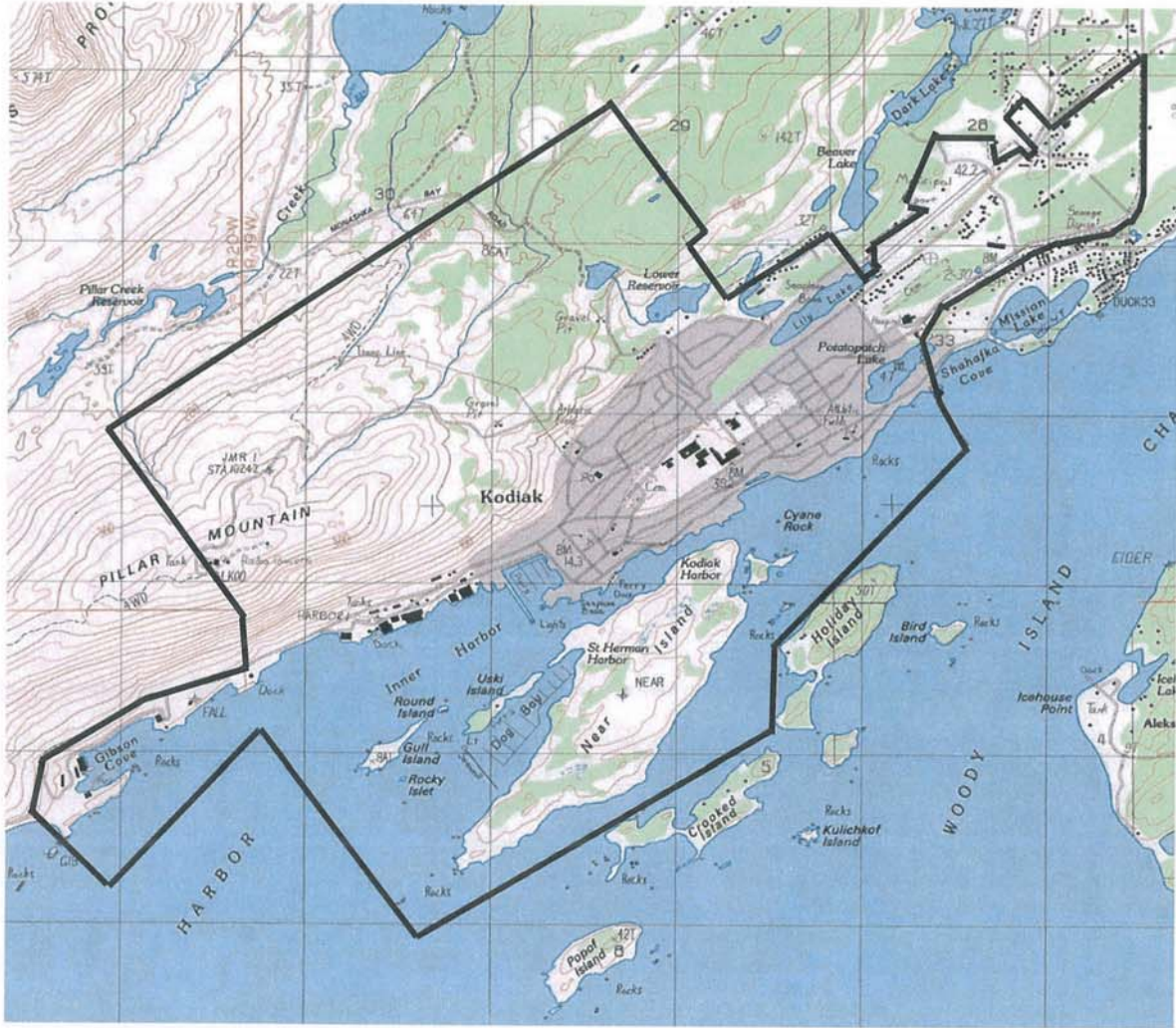


ALASKA - KODIAK ISLAND - CITY OF KODIAK



CITY OF KODIAK

CITY OF KODIAK - CITY LIMITS



City - 6.2 square miles

INDEPENDENT
AUDITOR'S
REPORT

Independent Auditor's Report

Honorable Mayor and City Council
City of Kodiak, Alaska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kodiak, Alaska, as of and for the year ended June 30, 2009 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kodiak's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kodiak, Alaska, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009, on our consideration of City of Kodiak's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and City Council
City of Kodiak, Alaska

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kodiak's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for the State Single Audits*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data included in the introductory section and statistical section in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on such data.

Mikunda, Cottrell & Co.

Anchorage, Alaska
December 7, 2009

MANAGEMENT
DISCUSSION &
ANALYSIS

CITY OF KODIAK, ALASKA

Management's Discussion and Analysis

June 30, 2009

As management of the City of Kodiak, we offer readers of the City of Kodiak's financial statements this narrative overview and analysis of the financial activities of the City of Kodiak for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I-XI of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Kodiak exceeded its liabilities at the close of the most recent fiscal year by \$128,224,594 (*net assets*). Of this amount, \$38,170,558 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$9,467,952. The majority of this increase resulted from the sale of land, and increases in grants, taxes, and rate increases.
- As of the close of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$26,710,820, a decrease of \$1,775,506 in comparison with the prior year. Approximately 43% of this total amount, \$11,431,508 is available for spending at the government's discretion (*undesignated fund balance*).
- Total general revenues accounted for \$14,957,390 or 40% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$22,051,058 or 60% of total revenues of \$37,008,448.
- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$7,689,501, or 44% of total General Fund expenditures and transfers of \$17,554,078.
- The City of Kodiak's total debt increased by \$403,085 during the current fiscal year. The key factor in this increase was in the governmental activities, where there were payments on the General Obligation Bond in the amount of \$135,000 and a deletion of \$1,153,915 in the Net Pension/OPEB obligation reducing the balance to \$0.00. This deletion was based on a change in State of Alaska laws resulting in the removal of the fund. In the Business-type activities there was a Water Revenue Bond payment of \$215,000, and a loan payment in the amount of \$201,097. There was an additional new Revenue Bond in the amount of \$1,000,000 for the Boat Yard/Lift project and two new Water and Sewer Loans in the amount of \$550,000 each.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. City of Kodiak's basic financial statements are comprised of 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains 4) other supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the City's activities.

1. *Government-wide financial statements* are designed to provide readers with a broad overview of the City of Kodiak's finances, in a manner similar to a private-sector business.
 - The *statement of net assets* presents information on all of the City of Kodiak's assets and liabilities, with the differences between the two reported as *net assets*.
 - The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).
 - Both of the government-wide financial statements distinguish functions of the City of Kodiak that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Kodiak include general government, public safety, public works, engineering, parks and recreation, library and community services. The business-type activities of the City of Kodiak include cargo pier, boat harbor, boat yard/lift, harbor electric, water and sewer utilities, and airport facility.
 - The government-wide financial statements can be found on pages 17-18 of this report.
 - *Fund financial statements* focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kodiak, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds for the City of Kodiak can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.
 - *Governmental Funds*: Most of the City's basic services are included in governmental funds. Unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as balances of spendable resources left at fiscal year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Kodiak maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Improvement Capital Project Fund, and Public Safety Building Capital Project Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and individual statements elsewhere in this report

- *Proprietary Funds:* When the City charges customers for the services it provides – either to outside customers or to other units of the City – these services are generally reported in the proprietary funds. Proprietary Funds are reported in the same manner in the Statement of Net Assets and the Statement of Activities. The City’s Enterprise Funds (one type of proprietary fund) are the same as business-type activities reported in the government-wide statements but provide more detail. The City uses Internal Service Funds (the other kind of proprietary fund) to report activities of the City’s Self Insurance Fund and the PERS Obligation Fund.
 - The basic proprietary fund financial statements can be found on pages 24-26 of this report.
 - *Fiduciary Funds:* A fiduciary fund is used to account for assets held by the City in a trustee capacity or as an agent for others. Activities from the fiduciary fund are not included in the government-wide financial statements because the City cannot use these assets for its operations. The accounting for fiduciary funds is much like that used in proprietary funds. The fiduciary fund financial statement can be found on page 27 of this report.
2. *Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The financial statements include notes that explain some of the information in the statements and provide more detailed data. The notes to the financial statements can be found on pages 28-49 of this report.
3. *Other Information.* The basic statements are followed by additional supplementary information on individual fund activity. This report also presents certain *required supplementary information* concerning the City of Kodiak’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 44-47 of this report.
- The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented on pages 52-56. Other combining and individual fund statements and schedules can be found on pages 58-121 of this report.

Government – wide Financial Analysis of the City of Kodiak

Table 1 provides a summary of the City’s net assets for 2009 compared to 2008:

Table 1
Net Assets of Governmental and Business-type Activities

	Governmental Activities		Business Type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets:						
Current assets	\$ 26,954,979	31,432,193	18,755,409	20,384,196	45,710,388	51,816,389
Capital assets	<u>27,514,138</u>	<u>20,348,054</u>	<u>79,407,530</u>	<u>67,693,212</u>	<u>106,921,668</u>	<u>88,041,266</u>
Total assets	<u>54,469,117</u>	<u>51,780,247</u>	<u>98,162,939</u>	<u>88,077,408</u>	<u>152,632,056</u>	<u>139,857,655</u>
Liabilities:						
Current liabilities	(264,422)	1,733,334	6,409,257	1,531,298	6,144,835	3,264,632
Long-term liabilities	<u>8,552,401</u>	<u>9,840,768</u>	<u>9,710,226</u>	<u>7,995,613</u>	<u>18,262,627</u>	<u>17,836,381</u>
Total liabilities	<u>8,287,979</u>	<u>11,574,102</u>	<u>16,119,483</u>	<u>9,526,911</u>	<u>24,407,462</u>	<u>21,101,013</u>
Net assets:						
Invested in capital assets	19,649,138	19,715,240	69,899,848	63,002,311	89,548,986	82,717,551
Restricted	-	-	505,050	653,862	505,050	653,862
Unrestricted	<u>26,532,000</u>	<u>20,490,905</u>	<u>11,638,558</u>	<u>14,894,324</u>	<u>38,170,558</u>	<u>35,385,229</u>
Total net assets	<u>\$ 46,181,138</u>	<u>40,206,145</u>	<u>82,043,456</u>	<u>78,550,497</u>	<u>128,224,594</u>	<u>118,756,642</u>

As previously stated, the government’s net assets increased by \$9,467,952 during the current fiscal year. In the case of the City of Kodiak, assets exceeded liabilities by \$128,224,594, at the close of the fiscal year 2009. A large portion of this is due to a boat harbor capital grant, land sales, and an increase in ongoing revenues being greater than the ongoing expenses. The remainder of the growth largely reflects rate increases, and an increase in capital projects.

By far the largest portion of the City of Kodiak’s net assets (70%) reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Kodiak uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kodiak’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Kodiak’s net assets (less than 1%) represents resources that are subject to external restrictions on how they may be used. Certain covenants of the revenue bond require the establishment of bond redemption and reserve accounts which makes up this restricted amount. The remaining balance of unrestricted net assets (30%) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the fiscal year 2009, the City of Kodiak is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of \$6,897,537 in invested in capital assets net of related debt in connection with the City of Kodiak’s business-type activities. This was due to large projects in the cargo and harbor funds, and the water and sewer funds. Additionally there was a decrease of \$66,102 in invested in capital assets net of related debt in connection with the City of Kodiak’s governmental activities. There was relatively little change in the governmental activities.

During fiscal year 2009, the government’s total net assets increased by \$9,467,952. The increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. It can be attributable to increases in grants, land sales, and rate increases.

Total net assets have increased over the past five years indicating an improving financial position of the City of Kodiak as illustrated in the graph below. The City of Kodiak has maintained a stable financial position.

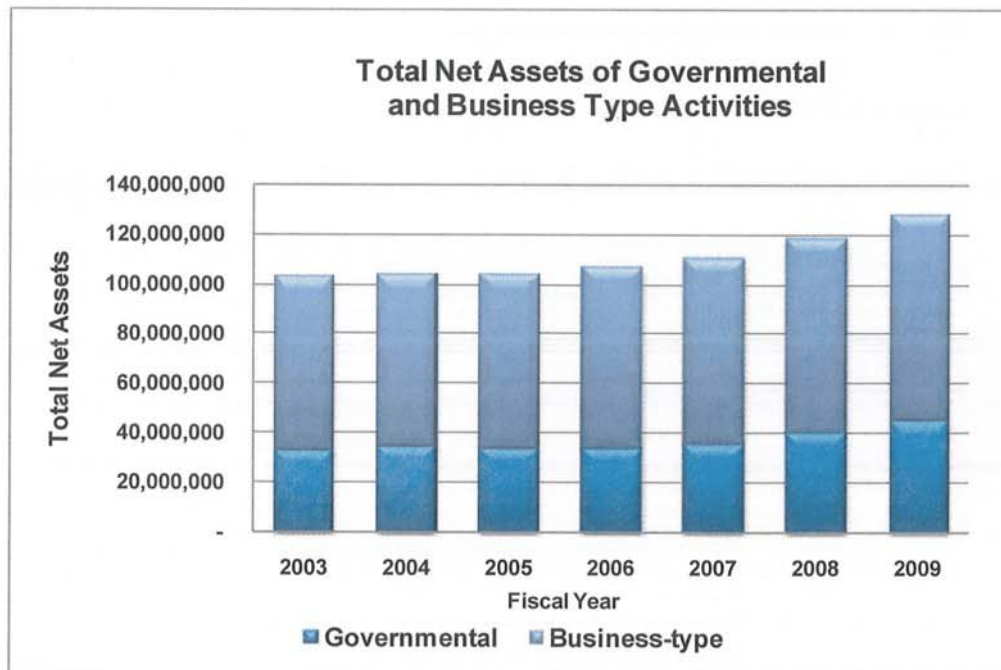


Table 2, on the next page, shows the changes in net assets for fiscal years 2009 and 2008 for both the governmental and business-type activities. Business-type activities increased the City of Kodiak’s net assets by \$3,492,959 and the increase in the governmental activities was \$5,974,993.

Table 2
Changes in Net Assets

	Year Ended June 30, 2009			Year Ended June 30, 2008		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,247,877	9,264,185	11,512,062	2,274,292	8,682,004	10,956,296
Operating grants and contributions	44,520	-	44,520	37,154	-	37,154
Capital grants and contributions	<u>2,311,754</u>	<u>8,182,722</u>	<u>10,494,476</u>	<u>1,007,347</u>	<u>4,933,513</u>	<u>5,940,860</u>
Total program revenues	<u>4,604,151</u>	<u>17,446,907</u>	<u>22,051,058</u>	<u>3,318,793</u>	<u>13,615,517</u>	<u>16,934,310</u>
General revenues:						
Property taxes	651,699	-	651,699	655,943	-	655,943
Sale taxes	9,277,394	-	9,277,394	8,850,746	-	8,850,746
Other taxes, penalties and interest	199,832	-	199,832	174,443	-	174,443
Grants not restricted	2,125,313	-	2,125,313	2,521,664	-	2,521,664
Investment income	730,096	260,355	990,451	993,447	729,548	1,722,995
Land sales	1,518,308	-	1,518,308	1,415,900	-	1,415,900
Miscellaneous	<u>14,155</u>	<u>180,238</u>	<u>194,393</u>	<u>64,492</u>	<u>194,034</u>	<u>258,526</u>
Total general revenues and transfers	<u>14,516,797</u>	<u>440,593</u>	<u>14,957,390</u>	<u>14,676,635</u>	<u>923,582</u>	<u>15,600,217</u>
Total revenues	<u>19,120,948</u>	<u>17,887,500</u>	<u>37,008,448</u>	<u>17,995,428</u>	<u>14,539,099</u>	<u>32,534,527</u>
Expenses:						
General government	2,419,468	-	2,419,468	2,442,402	-	2,442,402
Public safety	5,932,145	-	5,932,145	5,987,605	-	5,987,605
Public works	4,268,602	-	4,268,602	2,113,620	-	2,113,620
Engineering	140,886	-	140,886	167,812	-	167,812
Parks & recreation	1,133,502	-	1,133,502	1,009,117	-	1,009,117
Library	697,856	-	697,856	711,172	-	711,172
Community services	435,970	-	435,970	126,562	-	126,562
Interest on long-term debt	398,252	-	398,252	75,411	-	75,411
Cargo Pier	-	1,046,188	1,046,188	-	1,438,477	1,438,477
Boat Harbor	-	2,782,150	2,782,150	-	2,867,113	2,867,113
Boat Yard/Lift	-	35,019	35,019	-	-	-
Harbor Electric	-	611,387	611,387	-	648,498	648,498
Water	-	5,598,768	5,598,768	-	2,864,069	2,864,069
Sewer	-	3,016,736	3,016,736	-	3,800,645	3,800,645
Trident Basin	-	<u>177,482</u>	<u>177,482</u>	-	<u>192,228</u>	<u>192,228</u>
Total expenses	<u>15,426,681</u>	<u>13,267,730</u>	<u>28,694,411</u>	<u>12,633,701</u>	<u>11,811,030</u>	<u>24,444,731</u>
Increase in assets before transfers and special item	3,694,267	4,619,770	8,314,037	5,361,727	2,728,069	8,089,796
Transfers	1,126,811	(1,126,811)	-	(700,000)	700,000	-
Special item – write off NPO/OPEB	<u>1,153,915</u>	<u>-</u>	<u>1,153,915</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	5,974,993	3,492,959	9,467,952	4,661,727	3,428,069	8,089,796
Net assets at beginning of year	<u>40,206,145</u>	<u>78,550,497</u>	<u>118,756,642</u>	<u>35,544,418</u>	<u>75,122,428</u>	<u>110,666,846</u>
Net assets at end of year	<u>\$ 46,181,138</u>	<u>82,043,456</u>	<u>128,224,594</u>	<u>40,206,145</u>	<u>78,550,497</u>	<u>118,756,642</u>

Governmental Activities

Governmental activities increased the City of Kodiak's net assets by \$5,974,993, thereby accounting for 63% of the total growth in the net assets of the City of Kodiak. Key elements of this increase are as follows:

The primary source of revenue from governmental activities is sales tax revenues, which amounted to \$9,277,394 a 5% increase from 2008. The City sales tax rate in 2009 remained at 6% on all sales. The City sales tax accounts for 49% of total governmental revenues. Other tax revenues like property tax, tax penalties, interest, and hotel and motel tax accounted for 4% of total governmental activities revenues in 2009.

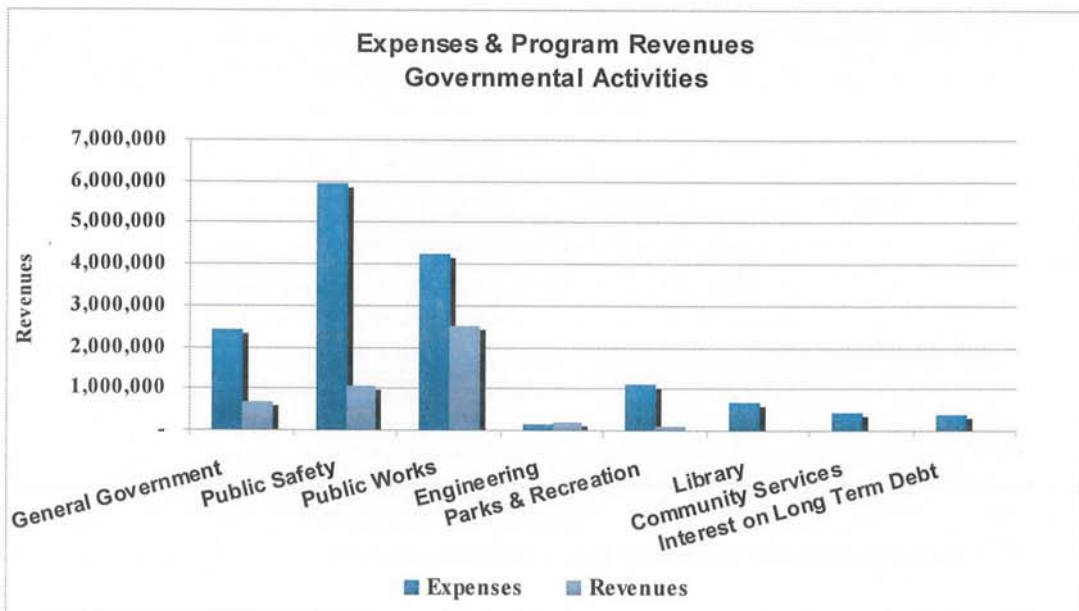
City taxpayers financed most of the City's costs at 66%. The remaining costs were financed by charges for services, investment income, entitlements not restricted to a specific purpose, transfers from other funds, and other revenues.

Charges for services and tax revenues accounted for most of the City's recurring governmental revenues.

The cost of all governmental activities financed by charges for services, operating grants and capital grants was \$4,604,151 or 30% of total governmental activities expenses.

The City's governmental activities expenses are predominately related to Public Safety (38%), Public Works (28%), and General Government (16%) or 82% of total governmental activities expenses. Engineering, Parks and Recreation, Library, and Community Services make up the remaining expenses.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Overall the expenses increased by 22% from the prior fiscal year. This was due primarily to increased expenses in Public Works for street improvements.



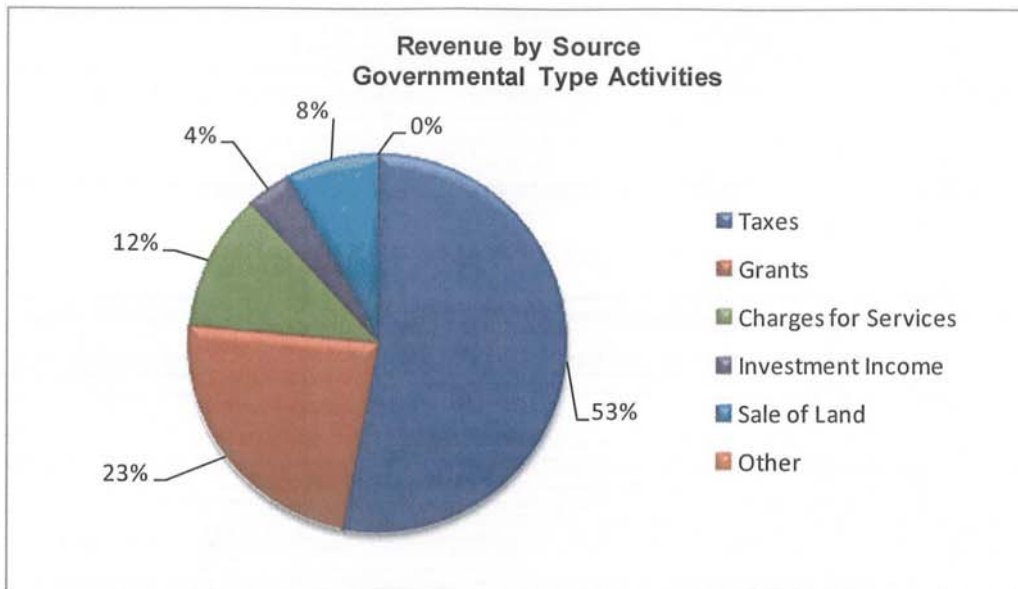


Table 3 shows, for governmental activities, the total cost of services and the net costs of services for fiscal year 2009. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

Table 3
Governmental Activities in 2009

	Total cost of services <u>2009</u>	Net cost (benefit) of services <u>2009</u>
General government	\$ 2,419,468	\$ 1,734,238
Public safety	5,932,145	4,853,834
Public works	4,268,602	1,760,461
Engineering	140,886	(58,270)
Parks & recreation	1,133,502	1,016,329
Library	697,856	681,716
Community services	435,970	435,970
Interest on long-term debt	<u>398,252</u>	<u>398,252</u>
Total governmental activities	\$ <u>15,426,681</u>	\$ <u>10,822,530</u>

Business-type Activities

Business-type activities increased the City of Kodiak's net assets by \$3,492,959 accounting for 37% of the total growth in the government's net assets. Key elements of this are as follows:

Charges for services and capital grant revenues accounted for most of the City's total business-type revenues, with charges for services contributing 52% of the total revenues and capital grants 46% of the total revenues.

The primary source of revenue from business-type activities is charges for services, which amounted to \$9,264,185, a 7% increase from 2008. For the business-type activities, charges for services financed most of the City's costs at 70%. Operating and capital grants, interest income and miscellaneous revenues financed the remaining costs.

The City's business-type activities expenses are related to cargo (8%), boat harbor (21%), harbor electric (5%), water utility (42%), sewer utility (23%), and the Trident Basin Airport (1%). Total harbor related activities are 34% and total public works activities are 66% of the total business type activities.

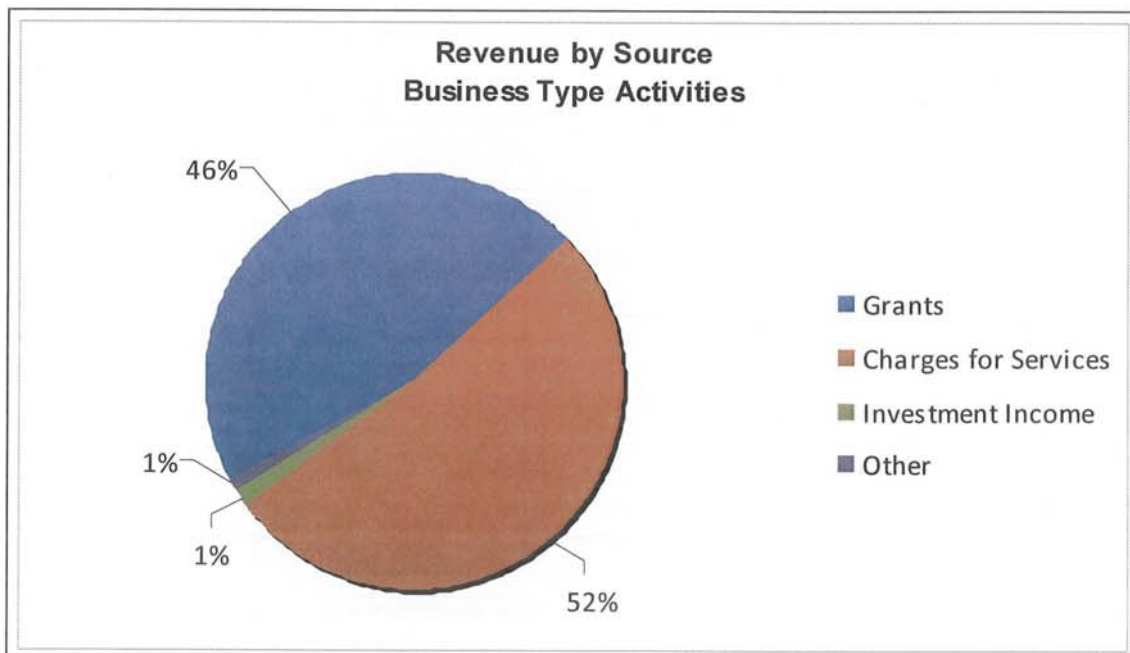
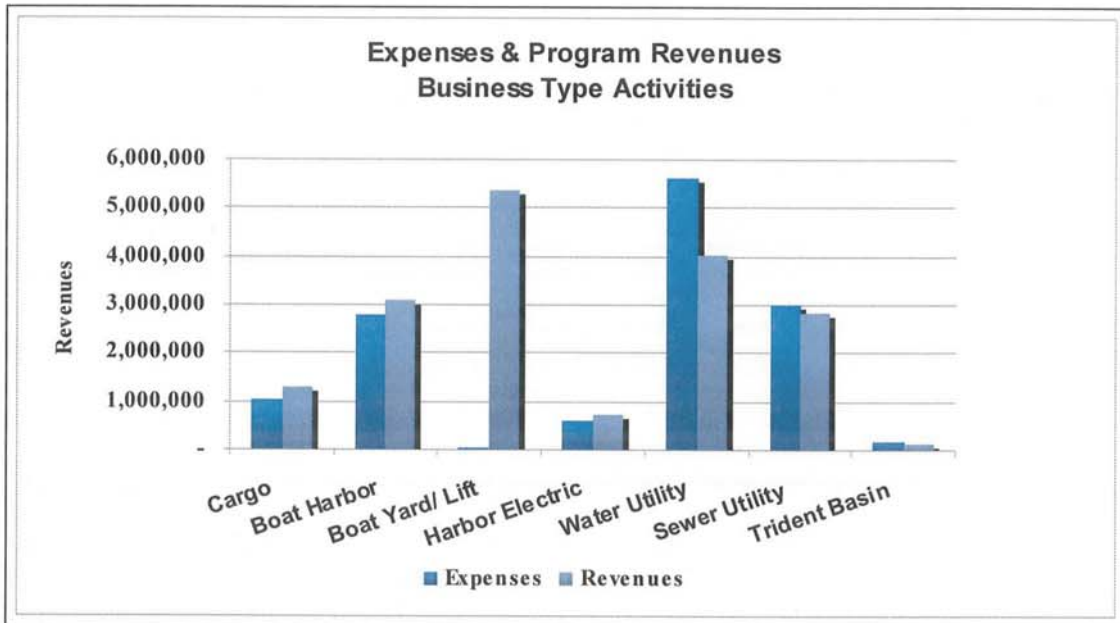


Table 3-A shows, for business-type activities, the total cost of services and the net cost of services in 2009. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants. The Boat Yard/Lift fund was a new fund that was under construction in fiscal year 2009 and not yet operational.

Table 3-A
Business-type Activities in 2009

	Total cost of services <u>2009</u>	Net cost (benefit) of services <u>2009</u>
Cargo Pier	\$ 1,046,188	\$ (218,570)
Boat Harbor	2,782,150	(323,549)
Boat Yard/Lift	35,019	(5,335,699)
Harbor Electric	611,387	(97,327)
Water Utility	5,598,768	1,550,246
Sewer Utility	3,016,736	195,443
Trident Basin	<u>177,482</u>	<u>50,279</u>
Total business-type activities	<u>\$ 13,267,730</u>	<u>\$ (4,179,177)</u>

Financial Analysis of the Governmental Funds

The City of Kodiak uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. These funds are accounted for using the modified accrual basis of accounting.

Governmental Funds

The focus of the City of Kodiak's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Kodiak's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$26,710,820, a decrease of \$1,775,506 in comparison with the prior year. Approximately 43% of this total amount (\$11,431,508) constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to pay for prepaid items and capital projects.

The General Fund is the chief operating fund of the City of Kodiak. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$7,689,501 while total fund balance was \$7,704,123. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Both unreserved, undesignated fund balance and total fund balance represents 44% of total General Fund expenditures and transfers.

The fund balance of the City of Kodiak's General Fund decreased in the amount of \$606,094 during the current fiscal year. Key factors in this decrease are as follows:

Sales tax revenues of the General Fund exceeded the prior year by \$426,648. There has been a consistent upward trend in sales tax over the past ten years as a result of the opening of large retail stores within the City limits.

Intergovernmental revenues of the General Fund decreased by \$388,985 primarily as a result of a one time PERS rebate of \$428,035 in 2008.

Investment income revenues of the General Fund decreased by \$48,932 due to lower interest rates.

The Street Improvement Capital Project Fund has a total fund balance of \$2,328,335 all of which is designated for capital projects. There was a decrease of \$970,796 in fund balance as a result of the completion of large street capital projects.

The Public Safety Building Capital Project Fund has a total fund balance of \$11,420,001 all of which is designated for capital projects. There was an increase of \$1,059,734 in fund balance as a result of a \$6,200,000 transfer from other funds for the construction of the new public safety building.

The Nonmajor Funds have a total fund balance of \$5,258,361. Of this balance, 29% is unreserved but designated for capital projects. There was a decrease of \$1,258,350 in fund balances primarily as a result of transfers for capital projects from the Enhancement Fund to the Public Safety Building Capital Project Fund.

Proprietary Funds

The City of Kodiak's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the major funds in the Harbor Facilities (Cargo Pier, Boat Harbor, and Boat Yard/Lift) at the end of the year amount to \$6,546,045, and those in the Water, Sewer Facilities amounted to \$5,228,586. Nonmajor Enterprise Funds made up of the Trident Basin and Harbor Electric Funds had a deficit of \$(136,073). The total change in net assets for all areas was an increase of \$4,667,633. This increase can be contributed to the large construction projects in the harbor and water/sewer funds.

General Fund Budgetary Highlights

The City's budget is prepared according to Alaska law using a basis of accounting that is consistent with accounting principles generally accepted in the United States of America. The most significant budgeted areas are the General Fund.

During the year there was a \$5,149,900 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

\$106,520 supplemental appropriation to the finance department in anticipation of additional information system equipment needs to upgrade efficiency of the City's computer needs.

\$491,580 supplemental increase in appropriation to the police department for increased expenditures in salaries and benefits, and for interest payments on bonds. The salaries and benefits increase was due to vacant positions resulting in more overtime.

\$132,990 supplemental increase in appropriation to the public works department for increased expenditures in salaries and benefits, and a new furnace in the public works building. The salaries and benefits increase was due to unusually extreme winter weather conditions resulting in more overtime than budgeted.

\$87,390 supplemental increase in appropriation to the Executive Department due to the shifting of personnel from the Clerk’s Department to the Executive Department. The Clerk’s Department had a reduction of \$55,780 to offset the increase in the Executive Department and an increase in equipment expenditures.

The increases above were possible because of additional unanticipated revenues. These revenues included an increase from the State of Alaska, increase from transfers to the General Fund, increases due to the sale of land on Near Island and increases due to upturns in charges for services.

The actual expenditures were \$1,032,852 less than budgeted. The City made a concentrated effort to control expenditures. Expenditures were less than the amount budgeted in most functions. The largest savings were in Public Safety and then General Government. Significant amounts and percentages are as follows:

Table 4
General Fund Budget Highlights

	Amount under <u>budget</u>	Percent under <u>budget</u>
General Government	\$ 262,719	11.94%
Public Safety	413,583	6.28%
Public Works	103,842	5.18%
Engineering	57,245	30.86%
Parks and Recreation	117,419	10.63%
Library	46,135	6.22%
Community Services	31,022	18.26%
Other – Insurance and Administration	<u>887</u>	0.19%
Total under budget	\$ <u>1,032,852</u>	<u>7.67%</u>

Capital Assets and Debt Administration

Capital Assets

At June 30, 2009, the City’s capital assets have a total net book value of \$106,921,668. Table 5 compares the net book values at June 30, 2009 and 2008. The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and bridges. The total increase in the City of Kodiak’s investment in capital assets for the current fiscal year was \$18,880,402 or 21%. The major increase was based on communication equipment in the Police Department and the completion of three major capital road projects.

Table 5
Capital Assets at June 30
Net of Depreciation

	Governmental		Business Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 2,501,384	2,501,390	693,997	693,997	3,195,381	3,195,387
Construction in progress	10,078,833	10,513,960	19,276,022	14,327,807	29,354,855	24,841,767
Buildings	5,267,442	5,232,723	23,840,189	23,840,189	29,108,631	29,072,912
Other improvements	1,408,227	1,408,227	99,199,717	89,149,523	100,607,944	90,557,750
Infrastructure	14,621,822	8,523,962	-	-	14,621,822	8,523,962
Machinery and equipment	<u>9,151,601</u>	<u>7,010,955</u>	<u>2,698,134</u>	<u>2,640,504</u>	<u>11,849,735</u>	<u>9,651,459</u>
Total capital assets	43,030,309	35,191,217	145,708,059	130,652,020	188,738,368	165,843,237
Less accumulated depreciation	<u>15,516,171</u>	<u>14,843,163</u>	<u>66,300,529</u>	<u>62,958,808</u>	<u>81,816,700</u>	<u>77,801,971</u>
Total capital assets, net	\$ <u>27,514,138</u>	<u>20,348,054</u>	<u>79,407,530</u>	<u>67,693,212</u>	<u>106,921,668</u>	<u>88,041,266</u>

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 37-38.

Debt Administration

At June 30, 2009, the City had \$687,401 in long-term leave payable for governmental activities and \$202,544 for business-type activities. The net pension obligation related to the Public Employee Retirement System (PERS) amounted to \$0.00 after this fund was closed out due to a change in the State of Alaska laws pertaining to the Public Employee Retirement System (PERS). The City has a \$7,865,000 balance on a general obligation bond related to the construction of a new public safety building, loans payable to the State of Alaska of \$2,507,682 related to the Water and Sewer Enterprise Funds and \$7,000,000 of revenue bonds related to the Harbor and Boat Yard/Lift Enterprise Funds. In fiscal year 2009 there was a new Revenue Bond sale for the Boat Yard/Lift capital project in the amount of \$1,000,000 and two new State of Alaska loans for Water and Sewer, both in the amount of \$550,000. Table 6 summarizes all outstanding debt at June 30, 2009 with a comparison to 2008. There have been significant changes in the long-term debt from fiscal year 2008 due to the sale of revenue bonds and public works loans.

Table 6
Debt Outstanding at June 30

	Governmental		Business Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 7,865,000	8,000,000	-	-	7,865,000	8,000,000
Long-term leave payable	687,401	686,853	202,544	167,995	889,945	854,848
Net pension obligation	-	1,153,915	-	-	-	1,153,915
Long-term notes payable	-	-	2,507,682	1,608,779	2,507,682	1,608,779
Revenue bonds payable	<u>-</u>	<u>-</u>	<u>7,000,000</u>	<u>6,215,000</u>	<u>7,000,000</u>	<u>6,215,000</u>
Total liabilities	\$ <u>8,552,401</u>	<u>9,840,768</u>	<u>9,710,226</u>	<u>7,991,774</u>	<u>18,262,627</u>	<u>17,832,542</u>

Additional information on the City's outstanding debt can be found in the notes to the financial statements on pages 39-41.

Economic Factors and Next Year's Budget and Rates

- Kodiak's role as a center for transportation, governmental offices, timber, and tourism complements its role as one of the nation's largest producers of seafood. The City of Kodiak has the largest and most diversified fishing port in Alaska and is consistently ranked in the top three largest fishing ports in the U.S. in terms of value landed. Landings in the Port of Kodiak in 2008 were 296.6 million pounds, with a wholesale value of \$149.1 million.
- The average unemployment rate in the Kodiak Island Borough in 2009 was 6.6% decreasing from 7.00% in 2008.
- The cost of living in 2009 was 126.2 compared to a national average of 100. Other Alaskan cities are Anchorage at 125.4 and Fairbanks at 134.2. In the American Chamber of Commerce Researchers Association (ACCRA) cost of living study, a standardized list of 59 items is priced during a fixed period of time. The average price data for each reporting city is then converted into an index number that is used for comparative purposes.

All of these factors were considered in preparing the City of Kodiak's budget for the 2009 fiscal year.

In fiscal year 2009, the unreserved fund balance in the General Fund increased to \$7,689,501. After completion of an extensive water and sewer rate study; the fees for these services were increased effective July 1, 2006 with an annual increase adopted for the next four years. The sewer rates were increased beginning in fiscal year 2007 and the water rates were increased beginning in fiscal year 2008. Acting upon the recommendation from the Port and Harbor Advisory Board (PHAB), the City Council increased the harbor fees effective July 1, 2004 and will continue to increase them each fiscal year for five years. The fee increase was spread over a five-year period and based on a linear foot rather than a square foot basis. All increases were necessary to finance planned capital projects.

Contacting the City's Financial Management

This financial report is designed to provide the City's citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have a question about this report or need additional information, contact the City's office, City of Kodiak, 710 Mill Bay Road, Room 217, Kodiak, Alaska 99615. The City of Kodiak has a web site at www.city.kodiak.ak.us.

BASIC
FINANCIAL
STATEMENTS

CITY OF KODIAK, ALASKA

Statement of Net Assets

June 30, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments	\$ 23,917,034	14,932,971	38,850,005
Receivables, net	3,023,323	3,063,975	6,087,298
Inventory	-	251,413	251,413
Prepaid items	14,622	2,000	16,622
Restricted cash and investments	-	505,050	505,050
Deferred charges, net	-	-	-
Capital assets not being depreciated - land and construction in progress	12,580,217	19,970,019	32,550,236
Other capital assets, net of depreciation	<u>14,933,921</u>	<u>59,437,511</u>	<u>74,371,432</u>
 Total assets	 \$ <u>54,469,117</u>	 <u>98,162,939</u>	 <u>152,632,056</u>
<u>Liabilities</u>			
Accounts payable	2,771,327	2,479,899	5,251,226
Accrued payroll and related liabilities	301,643	95,395	397,038
Customer deposits	3,750	255,634	259,384
Unearned revenue	18,693	-	18,693
Accrued interest	96,435	122,059	218,494
Internal balances	(3,456,270)	3,456,270	-
Noncurrent liabilities:			
Due within one year:			
Accrued leave	450,000	105,000	555,000
Bonds payable	145,000	105,000	250,000
Loans payable	-	201,097	201,097
Due in more than one year:			
Accrued leave	237,401	97,544	334,945
Bonds payable	7,720,000	6,895,000	14,615,000
Loans payable	-	<u>2,306,585</u>	<u>2,306,585</u>
Total liabilities	<u>8,287,979</u>	<u>16,119,483</u>	<u>24,407,462</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	19,649,138	69,899,848	89,548,986
Restricted for debt service	-	505,050	505,050
Unrestricted	<u>26,532,000</u>	<u>11,638,558</u>	<u>38,170,558</u>
Total net assets	<u>46,181,138</u>	<u>82,043,456</u>	<u>128,224,594</u>
 Total liabilities and net assets	 \$ <u>54,469,117</u>	 <u>98,162,939</u>	 <u>152,632,056</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA

Statement of Activities
Year Ended June 30, 2009

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	Total
Governmental:							
General government	\$ 2,419,468	625,030	-	60,200	(1,734,238)	-	(1,734,238)
Public safety	5,932,145	1,033,791	44,520	-	(4,853,834)	-	(4,853,834)
Public works	4,268,602	313,568	-	2,194,573	(1,760,461)	-	(1,760,461)
Engineering	140,886	142,175	-	56,981	58,270	-	58,270
Parks and recreation	1,133,502	117,173	-	-	(1,016,329)	-	(1,016,329)
Library	697,856	16,140	-	-	(681,716)	-	(681,716)
Community services	435,970	-	-	-	(435,970)	-	(435,970)
Interest on long-term debt	398,252	-	-	-	(398,252)	-	(398,252)
Total governmental activities	<u>15,426,681</u>	<u>2,247,877</u>	<u>44,520</u>	<u>2,311,754</u>	<u>(10,822,530)</u>	<u>-</u>	<u>(10,822,530)</u>
Business-type:							
Cargo Pier	1,046,188	1,264,758	-	-	-	218,570	218,570
Boat Harbor	2,782,150	2,183,999	-	921,700	-	323,549	323,549
Boat Yard/Lift	35,019	-	-	5,370,718	-	5,335,699	5,335,699
Water Utility	5,598,768	2,254,850	-	1,793,672	-	(1,550,246)	(1,550,246)
Sewer Utility	3,016,736	2,821,293	-	-	-	(195,443)	(195,443)
Trident Basin	177,482	30,571	-	96,632	-	(50,279)	(50,279)
Harbor Electric	611,387	708,714	-	-	-	97,327	97,327
Total business-type activities	<u>13,267,730</u>	<u>9,264,185</u>	<u>-</u>	<u>8,182,722</u>	<u>-</u>	<u>4,179,177</u>	<u>4,179,177</u>
Total	\$ <u>28,694,411</u>	<u>11,512,062</u>	<u>44,520</u>	<u>10,494,476</u>	<u>(10,822,530)</u>	<u>4,179,177</u>	<u>(6,643,353)</u>
General revenues:							
Taxes:							
Property taxes				\$ 651,699	-		651,699
Sales taxes				9,277,394	-		9,277,394
Other taxes, penalties and interest				199,832	-		199,832
Grants and entitlements not restricted to a specific purpose							
Investment income				2,125,313	-		2,125,313
Sale of land				730,096	260,355		990,451
Other				1,518,308	-		1,518,308
Other				14,155	180,238		194,393
Transfers				1,126,811	(1,126,811)		-
Special item - write off NPO/OPEB				<u>1,153,915</u>	<u>-</u>		<u>1,153,915</u>
Total general revenues, transfers, and special item				<u>16,797,523</u>	<u>(686,218)</u>		<u>16,111,305</u>
Changes in net assets				5,974,993	3,492,959		9,467,952
Net assets at beginning of year				<u>40,206,145</u>	<u>78,550,497</u>		<u>118,756,642</u>
Net assets at end of year				\$ <u>46,181,138</u>	<u>82,043,456</u>		<u>128,224,594</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
 Governmental Funds
 Balance Sheet
 June 30, 2009

<u>Assets</u>	<u>Major Funds</u>				Total Govern- mental Funds
	<u>General</u>	Street Improvement Capital <u>Project</u>	Public Safety Building Capital <u>Project</u>	Nonmajor Funds	
Cash and investments	\$ 2,169,550	2,593,927	13,570,081	5,248,870	23,582,428
Receivables, net of allowance for uncollectible accounts:					
Taxes	2,478,957	-	-	46,708	2,525,665
Grants and shared revenues	55,907	-	-	8,400	64,307
Special assessments	-	-	-	291,925	291,925
Interest	6,639	7,937	41,524	85,326	141,426
Due from other funds	3,456,270	-	-	-	3,456,270
Prepaid items	14,622	-	-	-	14,622
Total assets	\$ <u>8,181,945</u>	<u>2,601,864</u>	<u>13,611,605</u>	<u>5,681,229</u>	<u>30,076,643</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	172,429	273,529	2,191,604	124,703	2,762,265
Accrued payroll and related liabilities	301,643	-	-	-	301,643
Customer deposits	3,750	-	-	-	3,750
Deferred revenue	-	-	-	18,693	18,693
Deferred assessments	-	-	-	279,472	279,472
Total liabilities	<u>477,822</u>	<u>273,529</u>	<u>2,191,604</u>	<u>422,868</u>	<u>3,365,823</u>
Fund balances:					
Reserved - prepaid items	14,622	-	-	-	14,622
Unreserved:					
Designated:					
Capital Project Funds - capital projects	-	2,328,335	11,420,001	1,515,354	15,263,690
Special Revenue Fund - subsequent year's expenditures	-	-	-	1,000	1,000
Undesignated:					
General Fund	7,689,501	-	-	-	7,689,501
Special Revenue Funds	-	-	-	3,742,007	3,742,007
Total fund balances	<u>7,704,123</u>	<u>2,328,335</u>	<u>11,420,001</u>	<u>5,258,361</u>	<u>26,710,820</u>
Total liabilities and fund balances	\$ <u>8,181,945</u>	<u>2,601,864</u>	<u>13,611,605</u>	<u>5,681,229</u>	<u>30,076,643</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 June 30, 2009

Total fund balances for governmental funds \$ 26,710,820

Total net assets reported for governmental activities in the
 Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. These
 assets consist of:

Land	\$ 2,501,384	
Buildings	5,268,442	
Improvements other than buildings	1,408,227	
Infrastructure	14,621,822	
Machinery and equipment	9,151,601	
Construction in progress	10,078,833	
Accumulated depreciation	<u>(15,516,171)</u>	
Total capital assets		27,514,138

Other long-term assets (special assessments receivable) are not
 available to pay for current period expenditures and therefore
 are deferred in the funds. 279,472

Internal service funds are used by the City to charge the cost
 of certain activities such as insurance, and pension and other
 post employment benefits to individual funds. Internal service
 fund assets and liabilities are included in the governmental
 activities in the Statement of Net Assets. 325,544

Bonds payable are not deemed due and payable in the current period
 and therefore are not reported as governmental fund liabilities. (7,865,000)

Accrued leave and accrued interest are not deemed due and payable
 in the current period and therefore are not reported as governmental
 fund liabilities.

Accrued leave	(687,401)	
Accrued interest	<u>(96,435)</u>	
		<u>(783,836)</u>

Total net assets of governmental activities \$ 46,181,138

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2009

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Street Improvement Capital Project	Public Safety Building Capital Project		
Revenues:					
Taxes:					
Property taxes	\$ 651,699	-	-	-	651,699
Sales taxes	9,277,394	-	-	-	9,277,394
Other taxes, penalties and interest	31,565	-	-	168,267	199,832
Intergovernmental	2,169,833	-	2,194,573	117,181	4,481,587
Charges for services	1,232,892	-	-	-	1,232,892
Fines and forfeitures	20,122	-	-	-	20,122
Licenses and permits	76,679	-	-	-	76,679
Rental income	173,089	-	-	40,371	213,460
Interfund charges	690,920	-	-	-	690,920
Investment income	234,671	57,538	129,317	301,196	722,722
Special assessments	-	-	-	91,300	91,300
Sale of land	759,154	-	-	759,154	1,518,308
Other revenues	3,123	-	-	11,032	14,155
Total revenues	<u>15,321,141</u>	<u>57,538</u>	<u>2,323,890</u>	<u>1,488,501</u>	<u>19,191,070</u>
Expenditures:					
Current:					
General government	1,937,668	-	-	10,303	1,947,971
Public safety	5,660,868	-	-	26,101	5,686,969
Public works	1,900,488	2,242,154	-	131,365	4,274,007
Engineering	128,245	-	-	-	128,245
Parks and recreation	986,903	-	-	26,717	1,013,620
Library	695,715	-	-	-	695,715
Community services	138,878	-	-	287,869	426,747
Other - insurance and administration	474,613	-	-	-	474,613
Debt service:					
Bond principal	135,000	-	-	-	135,000
Bond interest	377,227	-	-	-	377,227
Capital outlay	-	44,820	7,464,156	30,779	7,539,755
Total expenditures	<u>12,435,605</u>	<u>2,286,974</u>	<u>7,464,156</u>	<u>513,134</u>	<u>22,699,869</u>
Excess of revenues over (under) expenditures	2,885,536	(2,229,436)	(5,140,266)	975,367	(3,508,799)
Other financing sources (uses):					
Transfers in	1,626,843	1,345,100	6,200,000	2,008,473	11,180,416
Transfers out	(5,118,473)	(86,460)	-	(4,242,190)	(9,447,123)
Net other financing sources (uses)	<u>(3,491,630)</u>	<u>1,258,640</u>	<u>6,200,000</u>	<u>(2,233,717)</u>	<u>1,733,293</u>
Net change in fund balances	(606,094)	(970,796)	1,059,734	(1,258,350)	(1,775,506)
Fund balances at beginning of year	<u>8,310,217</u>	<u>3,299,131</u>	<u>10,360,267</u>	<u>6,516,711</u>	<u>28,486,326</u>
Fund balances at end of year	\$ <u>7,704,123</u>	<u>2,328,335</u>	<u>11,420,001</u>	<u>5,258,361</u>	<u>26,710,820</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
 Reconciliation of Change in Fund Balances of Governmental Funds
 to Statement of Activities
 Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ (1,775,506)

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$7,844,092) exceeded depreciation (\$678,008). 7,166,084

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in deferred special assessments. (77,497)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in accrued leave	(548)	
Increase in accrued interest payable	<u>(21,025)</u>	
		(21,573)

Repayment of the principal of the long-term debt consumes current financial resources of governmental funds but does not have any effect on net assets. 135,000

Internal service funds are used by management to charge the costs of certain insurance and pension obligations to individual funds. A portion of these activities is reported with governmental activities. 548,485

Change in net assets of governmental activities \$ 5,974,993

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$ 630,000	630,000	651,699	21,699
Sales taxes	8,500,000	8,500,000	9,277,394	777,394
Other taxes, penalties and interest	18,500	18,500	31,565	13,065
Intergovernmental	1,379,100	2,263,330	2,169,833	(93,497)
Charges for services	1,215,965	1,230,965	1,232,892	1,927
Fines and forfeitures	32,000	32,000	20,122	(11,878)
Licenses and permits	59,500	59,500	76,679	17,179
Rental income	105,800	134,930	173,089	38,159
Interfund charges	690,920	690,920	690,920	-
Investment income	100,000	100,000	234,671	134,671
Sale of land	-	613,000	759,154	146,154
Other revenues	149,300	56,300	3,123	(53,177)
Total revenues	<u>12,881,085</u>	<u>14,329,445</u>	<u>15,321,141</u>	<u>991,696</u>
Expenditures:				
General government	1,717,504	2,200,387	1,937,668	262,719
Public safety:				
Operations	5,907,178	6,074,178	5,660,868	413,310
Debt service	512,500	512,500	512,227	273
Public works	1,871,340	2,004,330	1,900,488	103,842
Engineering	164,660	185,490	128,245	57,245
Parks and recreation	1,715,342	1,104,322	986,903	117,419
Library	475,500	741,850	695,715	46,135
Community services	43,000	169,900	138,878	31,022
Other - insurance and administration	-	475,500	474,613	887
Total expenditures	<u>12,407,024</u>	<u>13,468,457</u>	<u>12,435,605</u>	<u>1,032,852</u>
Excess of revenues over expenditures	<u>474,061</u>	<u>860,988</u>	<u>2,885,536</u>	<u>2,024,548</u>
Other financing sources (uses):				
Transfers in	1,006,000	1,506,000	1,626,843	120,843
Transfers out	(1,030,000)	(5,118,470)	(5,118,473)	(3)
Net other financing sources (uses)	<u>(24,000)</u>	<u>(3,612,470)</u>	<u>(3,491,630)</u>	<u>120,840</u>
Net change in fund balance	\$ <u>450,061</u>	<u>(2,751,482)</u>	(606,094)	<u>2,145,388</u>
Fund balance at beginning of year			<u>8,310,217</u>	
Fund balance at end of year			\$ <u>7,704,123</u>	

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
Proprietary Funds
Statement of Net Assets
June 30, 2009

Assets	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Boat Yard/Lift			
Current assets:								
Cash and investments	\$ 2,545,631	6,676,320	3,755,487	1,555,845	-	399,688	14,932,971	334,606
Receivables - net of allowances	101,382	82,963	1,038,673	273,275	1,422,731	144,951	3,063,975	-
Inventories	-	-	237,173	14,240	-	-	251,413	-
Prepaid expenses	2,000	-	-	-	-	-	2,000	-
Total current assets	<u>2,649,013</u>	<u>6,759,283</u>	<u>5,031,333</u>	<u>1,843,360</u>	<u>1,422,731</u>	<u>544,639</u>	<u>18,250,359</u>	<u>334,606</u>
Noncurrent assets:								
Restricted cash and investments	-	129,581	-	-	375,469	-	505,050	-
Property, plant and equipment, net	<u>7,533,798</u>	<u>19,380,329</u>	<u>16,224,356</u>	<u>18,142,767</u>	<u>12,918,027</u>	<u>5,208,253</u>	<u>79,407,530</u>	<u>-</u>
Total noncurrent assets	<u>7,533,798</u>	<u>19,509,910</u>	<u>16,224,356</u>	<u>18,142,767</u>	<u>13,293,496</u>	<u>5,208,253</u>	<u>79,912,580</u>	<u>-</u>
Total assets	\$ <u>10,182,811</u>	<u>26,269,193</u>	<u>21,255,689</u>	<u>19,986,127</u>	<u>14,716,227</u>	<u>5,752,892</u>	<u>98,162,939</u>	<u>334,606</u>
Liabilities and Net Assets								
Liabilities:								
Current liabilities:								
Accounts payable	13,230	32,012	1,405,419	55,293	941,729	32,216	2,479,899	9,062
Accrued payroll and related liabilities	8,033	37,263	18,935	31,164	-	-	95,395	-
Accrued annual and sick leave	8,272	86,014	19,218	89,040	-	-	202,544	-
Customer deposits	-	219,598	20,000	-	-	16,036	255,634	-
Accrued interest	-	32,540	-	7,038	82,481	-	122,059	-
Due to other funds	-	-	-	-	2,823,810	632,460	3,456,270	-
Current portion:								
Revenue bonds	-	30,000	-	-	75,000	-	105,000	-
Loans payable	-	-	-	201,097	-	-	201,097	-
Total current liabilities	<u>29,535</u>	<u>437,427</u>	<u>1,463,572</u>	<u>383,632</u>	<u>3,923,020</u>	<u>680,712</u>	<u>6,917,898</u>	<u>9,062</u>
Noncurrent liabilities:								
Revenue bonds	-	1,970,000	-	-	4,925,000	-	6,895,000	-
Loans payable	-	-	550,000	1,756,585	-	-	2,306,585	-
Total noncurrent liabilities	<u>-</u>	<u>1,970,000</u>	<u>550,000</u>	<u>1,756,585</u>	<u>4,925,000</u>	<u>-</u>	<u>9,201,585</u>	<u>-</u>
Total liabilities	<u>29,535</u>	<u>2,407,427</u>	<u>2,013,572</u>	<u>2,140,217</u>	<u>8,848,020</u>	<u>680,712</u>	<u>16,119,483</u>	<u>9,062</u>
Net assets:								
Invested in capital assets, net of related debt	7,533,798	17,380,329	15,674,356	16,185,085	7,918,027	5,208,253	69,899,848	-
Restricted for debt service	-	129,581	-	-	375,469	-	505,050	-
Unrestricted (deficit)	<u>2,619,478</u>	<u>6,351,856</u>	<u>3,567,761</u>	<u>1,660,825</u>	<u>(2,425,289)</u>	<u>(136,073)</u>	<u>11,638,558</u>	<u>325,544</u>
Total net assets	<u>10,153,276</u>	<u>23,861,766</u>	<u>19,242,117</u>	<u>17,845,910</u>	<u>5,868,207</u>	<u>5,072,180</u>	<u>82,043,456</u>	<u>325,544</u>
Total liabilities and net assets	\$ <u>10,182,811</u>	<u>26,269,193</u>	<u>21,255,689</u>	<u>19,986,127</u>	<u>14,716,227</u>	<u>5,752,892</u>	<u>98,162,939</u>	<u>334,606</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Boat Yard/Lift			
Operating revenues	\$ 1,264,758	2,183,999	2,254,850	2,821,293	-	739,285	9,264,185	597,974
Operating expenses:								
Salaries and benefits	237,606	981,316	614,681	876,157	-	49,049	2,758,809	-
Professional	851	57,792	371,338	359,487	16,184	4,274	809,926	-
Contributions	-	31,309	-	-	-	-	31,309	-
Goods and services	85,432	293,540	140,618	204,896	1,518	559,007	1,285,011	609,890
Utilities and fuel	17,914	129,735	341,256	235,756	-	5,909	730,570	-
Machinery and equipment	27,467	50,804	-	4,196	17,302	12,449	112,218	-
Interfund charges	225,740	153,200	119,500	119,500	-	115,020	732,960	-
Repairs and maintenance	-	-	3,447,635	-	-	-	3,447,635	-
Other	3,771	-	-	-	-	3,440	7,211	-
Depreciation	446,966	1,083,281	556,614	1,215,472	-	39,388	3,341,721	-
Total operating expenses	<u>1,045,747</u>	<u>2,780,977</u>	<u>5,591,642</u>	<u>3,015,464</u>	<u>35,004</u>	<u>788,536</u>	<u>13,257,370</u>	<u>609,890</u>
Earnings (loss) from operations	219,011	(596,978)	(3,336,792)	(194,171)	(35,004)	(49,251)	(3,993,185)	(11,916)
Nonoperating revenues (expenses):								
Investment income	45,995	104,655	60,850	27,845	7,671	8,204	255,220	12,509
Interest expense	-	(24,405)	-	(23,126)	-	-	(47,531)	-
State PERS relief	18,508	76,051	42,547	61,502	-	-	198,608	-
State cruise ship tax	24,778	-	-	-	-	-	24,778	-
Other	-	-	(4,767)	4,384	-	-	(383)	-
Net nonoperating revenues (expenses)	<u>89,281</u>	<u>156,301</u>	<u>98,630</u>	<u>70,605</u>	<u>7,671</u>	<u>8,204</u>	<u>430,692</u>	<u>12,509</u>
Earnings (loss) before contributions, transfers, and special item	308,292	(440,677)	(3,238,162)	(123,566)	(27,333)	(41,047)	(3,562,493)	593
Capital contributions	-	921,700	1,793,672	-	5,370,718	96,632	8,182,722	-
Transfers in	29,531	614,421	799,746	86,974	-	1,832	1,532,504	-
Transfers out	-	-	(835,100)	(650,000)	-	-	(1,485,100)	(1,780,697)
Special item - write off NPO/OPEB	-	-	-	-	-	-	-	1,153,915
Change in net assets	337,823	1,095,444	(1,479,844)	(686,592)	5,343,385	57,417	4,667,633	(626,189)
Net assets at beginning of year	<u>9,815,453</u>	<u>22,766,322</u>	<u>20,721,961</u>	<u>18,532,502</u>	<u>524,822</u>	<u>5,014,763</u>	<u>951,733</u>	<u>951,733</u>
Net assets at end of year	<u>\$ 10,153,276</u>	<u>23,861,766</u>	<u>19,242,117</u>	<u>17,845,910</u>	<u>5,868,207</u>	<u>5,072,180</u>	<u>325,544</u>	<u>325,544</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							(1,174,674)	
Change in net assets of business-type activities						\$	<u>3,492,959</u>	

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2009

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Boat Yard/Lift			
Cash flows from operating activities:								
Receipts from customers and users	\$ 1,173,620	2,142,648	2,263,784	2,801,252	-	729,446	9,110,750	-
Receipts from interfund services provided	-	72,540	-	-	-	-	72,540	597,974
Payments for interfund services used	(225,740)	(153,200)	(119,500)	(119,500)	-	(115,020)	(732,960)	-
Payments to suppliers	(125,824)	(910,070)	(4,338,034)	(824,402)	(35,004)	(589,764)	(6,823,098)	(582,985)
Payments to employees	(191,822)	(887,243)	(568,406)	(793,342)	-	(49,049)	(2,489,862)	-
Net cash flows from operating activities	<u>630,234</u>	<u>264,675</u>	<u>(2,762,156)</u>	<u>1,064,008</u>	<u>(35,004)</u>	<u>(24,387)</u>	<u>(862,630)</u>	<u>14,989</u>
Cash flows from noncapital financing activities - transfers out	-	-	(835,100)	(650,000)	-	-	(1,485,100)	(1,780,697)
Cash flows from capital and related financing activities:								
Principal paid on long-term debt	-	-	(215,000)	(201,097)	-	-	(416,097)	-
Interest paid on long-term debt	-	(24,405)	(16,077)	(24,132)	-	-	(64,614)	-
Proceeds from issuance of long-term debt	-	-	550,000	550,000	1,000,000	-	2,100,000	-
Purchase of property, plant and equipment	-	(1,995,683)	(154,495)	(4,500)	(11,562,723)	(110,634)	(13,828,035)	-
Transfers in	29,531	614,421	799,746	86,974	-	1,832	1,532,504	-
Increase in due to other funds	-	-	-	-	2,823,810	116,318	2,940,128	-
Capital contributions received	-	4,608,500	1,593,437	9,518	4,232,981	113,699	10,558,135	-
Net cash flows from capital and related financing activities	<u>29,531</u>	<u>3,202,833</u>	<u>2,557,611</u>	<u>416,763</u>	<u>(3,505,932)</u>	<u>121,215</u>	<u>2,822,021</u>	<u>-</u>
Cash flows from investing activities - investment income received	<u>38,205</u>	<u>98,738</u>	<u>70,131</u>	<u>23,084</u>	<u>7,671</u>	<u>8,204</u>	<u>246,033</u>	<u>12,509</u>
Net increase (decrease) in cash and investments	697,970	3,566,246	(969,514)	853,855	(3,533,265)	105,032	720,324	(1,753,199)
Cash and investments at beginning of year	<u>1,847,661</u>	<u>3,239,655</u>	<u>4,725,001</u>	<u>701,990</u>	<u>3,908,734</u>	<u>294,656</u>	<u>14,717,697</u>	<u>2,087,805</u>
Cash and investments at end of year	\$ <u>2,545,631</u>	<u>6,805,901</u>	<u>3,755,487</u>	<u>1,555,845</u>	<u>375,469</u>	<u>399,688</u>	<u>15,438,021</u>	<u>334,606</u>
Reconciliation of earnings (loss) from operations to net cash flows from operating activities:								
Earnings (loss) from operations	219,011	(596,978)	(3,336,792)	(194,171)	(35,004)	(49,251)	(3,993,185)	(11,916)
Adjustments to reconcile earnings (loss) from operations to net cash flows provided (used) by operating activities:								
Depreciation	446,966	1,083,281	556,614	1,215,472	-	39,388	3,341,721	-
Noncash expense - PERS relief	18,508	76,051	42,547	61,502	-	-	198,608	-
Other nonoperating revenues	24,778	-	-	4,384	-	-	29,162	-
(Increase) decrease in assets:								
Accounts receivable	(91,138)	2,025	5,434	(24,425)	-	(9,639)	(117,743)	-
Inventory	-	-	(5,271)	4,190	-	-	(1,081)	-
Prepaid expenses	(2,000)	-	-	-	-	-	(2,000)	17,843
Increase (decrease) in liabilities:								
Accounts payable	11,611	(346,890)	(31,916)	(24,257)	-	(4,685)	(396,137)	9,062
Accrued payroll and related liabilities	608	4,659	902	4,843	-	-	11,012	-
Accrued annual and sick leave	1,890	13,363	2,826	16,470	-	-	34,549	-
Customer deposits	-	29,164	3,500	-	-	(200)	32,464	-
Net cash flows from operating activities	\$ <u>630,234</u>	<u>264,675</u>	<u>(2,762,156)</u>	<u>1,064,008</u>	<u>(35,004)</u>	<u>(24,387)</u>	<u>(862,630)</u>	<u>14,989</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
Kodiak Fisheries Development Association Agency Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2009

Current assets - cash and investments	\$ <u>23,406</u>
Current liabilities:	
Accounts payable	210
Due to others	<u>23,196</u>
Total liabilities	\$ <u>23,406</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements

June 30, 2009

(1) **Summary of Significant Accounting Policies**

Reporting Entity

The City of Kodiak was formed by a Home Rule Charter on March 16, 1965 under the provisions of Alaska Statute, Title 29, as amended. The City operates under a council-manager form of government and provides the following services: public safety (police and fire), public improvements, parks and recreation, community services, boat harbor, port, water, sewer, harbor electric utilities, airport facilities and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles of the government are described below.

The City of Kodiak is a municipal corporation governed by an elected council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Kodiak. There are no component units based on operational and financial relationship criteria.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on fees and charges for support. The effect of the interfund activity, for the most part, has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who use, purchase, or directly benefit from goods, services, or privileges provided by a given segment or function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar programs are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net assets are reported as restricted when constraints placed on the net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by laws through constitutional provisions or enabling legislation.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

Governmental fund type financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only to the extent they have matured.

Sales taxes, property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund - it accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Street Improvement Capital Project Fund* accounts for new road construction, paving, and major road maintenance.

The *Public Safety Building Capital Project Fund* accounts for the public safety building construction project.

The City reports the following major proprietary funds:

The *Cargo Pier Enterprise Fund* accounts for all activities of the cargo pier.

The *Boat Harbor Enterprise Fund* accounts for all activities of smaller crafts and all boat harbors within the City limits.

The *Water Utility Enterprise Fund* accounts for the distribution of water services.

The *Sewer Utility Enterprise Fund* accounts for the operations of the sewer distribution system.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

The *Boat Yard/Lift Enterprise Fund* accounts for the boat yard/lift activities, including construction costs.

Additionally, the City also reports two internal service funds. One accounts for the insurance activities of the City and provides this service to other departments and agencies of the City on a cost reimbursement basis. The other is used to account for the accumulation and payments to the Public Employees Retirement System. However this fund was closed effective July 1, 2008.

An agency fund is used to account for resources held for the Kodiak Fisheries Development Association.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State of Alaska entitlement revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for sales and services and to other City departments for services provided. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Use of Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates.

Central Treasury

The City maintains a central treasury for most of its cash and cash equivalents, which is utilized by all funds. Investment income is allocated to each fund quarterly based on the average monthly balance of each fund's equity in the central treasury.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary funds consider all cash accounts to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

Inventories

Enterprise Fund inventories consist of various supplies. Inventories are valued at the lower of cost (first-in, first-out) or market (net realizable value) and are recorded as expenses when consumed rather than when purchased.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e. the current portion of interfund loans) or "advances to other funds" or "advances from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to other funds" or "due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All taxes receivable and other receivables are shown net of an allowance for uncollectible receivables. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for doubtful accounts.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Restricted Assets

Monies or other resources, the use of which is restricted by legal or contractual requirements are recorded as restricted assets. Restricted assets include monies set aside per bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$291,151 of interest expense was capitalized; \$73,216 in the Boat Harbor Enterprise Fund and \$217,935 in the Boat Yard/Lift Enterprise Fund.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	7
Office and computer equipment	5

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignation or retirement.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Long-term Debt

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Grant Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as deferred revenue.

Pension Plan

Substantially all employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska.

Property Taxes

Property taxes are liens on the assessed value of taxable property as of January 1. Pursuant to Alaska Statutes, the City establishes the mill rate and tax levy on or before June 15. The City is located within the Kodiak Island Borough, which acts as the City's agent in the billing and collection of property taxes. Tax bills are mailed on or before July 1 and are payable in two installments on August 15th and November 15th. City property tax revenues are recognized in the fiscal year in which they are collectible and available (collected within 60 days after year end) to finance expenditures of the fiscal year.

At June 30, 2009, the delinquent real property taxes not currently available are reflected as deferred revenues of the General Fund.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Comparative Data

Comparative data for the prior year have been presented in some of the accompanying individual financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain amounts in the prior year data have been reclassified to conform to the current year's presentation.

(2) **Stewardship, Compliance, and Accountability**

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental fund types, except the Capital Project Funds which adopt project-length budgets and the Special Assessments and New Library Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, department and object. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The Council made several supplemental budgetary appropriations throughout the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

(3) **Cash and Investments**

The City maintains a cash and investment pool (central treasury) that is available for use by all funds.

Cash

At year end, the carrying amount of the City's deposits in financial institutions, including time certificates of deposit, was \$10,051,817 and the bank balances totaled \$9,891,492. Of the bank balances, \$500,000 was insured and the rest of the amount was covered by collateral held by the pledging financial institutions' trust department or agent in the City's name. Included in the carrying amount above is \$505,050 of restricted cash for revenue bond reserves. Petty cash on hand at June 30, 2009 was \$2,448.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Investments

Investments are recorded at fair value. Chapter 3.16 of the City Code specifies that the City may invest in bonds, notes or other obligations, direct or otherwise, of the United States; bonds or other evidence of indebtedness of the State of Alaska or its political subdivisions or other states of the United States; Alaska Municipal League Investment Pool, Inc. (AMLIP); and savings accounts, certificates of deposit, bank acceptances, repurchase agreements, and such other security instruments as may be authorized by law. The investment policy requires collateralization of all deposits except direct purchases of securities and/or participation in AMLIP.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Investment maturities at June 30, 2009 are as follows:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
U.S. government agencies	\$ 15,621,840	9,130,980	6,490,860
Alaska Municipal League Investment Pool	<u>13,702,356</u>	<u>13,702,356</u>	<u>-</u>
Total investments	\$ <u>29,324,196</u>	<u>22,833,336</u>	<u>6,490,860</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All of the U.S. government agency investments are rated AAA by Standard and Poor's.

The Alaska Municipal League Investment Pool is an external investment pool that is rated AAAM by Standard and Poor's. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. The Pool is incorporated in the State of Alaska as a nonprofit corporation and reports to its Board of Directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

The manager is required to produce monthly disclosure statements to its participants. AMLIP also has retained an investment advisor to ensure compliance with investment policies. Participation in AMLIP is voluntary. AMLIP must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments are reviewed for fair value by an independent pricing service. As of June 30, 2009 the fair value of the investment in AMLIP approximates amortized cost.

(4) **Accounts Receivable and Deferred Revenues**

Receivables at June 30, 2009, for the City's individual major funds, and nonmajor funds in the aggregate including applicable allowances for doubtful accounts, are as follows:

	<u>Major Governmental Funds</u>			Nonmajor	
	<u>General</u>	Street Improve- <u>ment</u>	Public Safety <u>Building</u>	Govern- mental <u>Funds</u>	<u>Totals</u>
Taxes	\$ 2,478,957	-	-	46,708	2,525,665
Grants and shared revenues	55,907	-	-	8,400	64,307
Special assessments	-	-	-	291,925	291,925
Interest	<u>6,639</u>	<u>7,937</u>	<u>41,524</u>	<u>85,326</u>	<u>141,426</u>
Total receivables	2,541,503	7,937	41,524	432,359	3,023,323
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	\$ <u>2,541,503</u>	<u>7,937</u>	<u>41,524</u>	<u>432,359</u>	<u>3,023,323</u>

	<u>Major Enterprise Funds</u>					Nonmajor	
	<u>Cargo Pier</u>	<u>Boat Harbor</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Boat Yard/Lift</u>	Enterprise <u>Funds</u>	<u>Totals</u>
Grants	\$ -	-	756,004	-	1,422,731	96,632	2,275,367
Interest	7,790	20,429	11,492	4,761	-	-	44,472
Accounts	<u>93,592</u>	<u>78,181</u>	<u>273,401</u>	<u>271,381</u>	<u>-</u>	<u>48,319</u>	<u>764,874</u>
Total receivables	101,382	98,610	1,040,897	276,142	1,422,731	144,951	3,084,713
Less allowance for doubtful accounts	<u>-</u>	<u>(15,647)</u>	<u>(2,224)</u>	<u>(2,867)</u>	<u>-</u>	<u>-</u>	<u>(20,738)</u>
Net receivables	\$ <u>101,382</u>	<u>82,963</u>	<u>1,038,673</u>	<u>273,275</u>	<u>1,422,731</u>	<u>144,951</u>	<u>3,063,975</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Accounts Receivable and Deferred Revenues, continued

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2009, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred special assessments	\$ 279,472
Grant drawdowns prior to meeting all eligibility requirements	<u>18,693</u>
 Total deferred/unearned revenue for governmental funds	 \$ <u>298,165</u>

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, <u>2008</u>	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance June 30, <u>2009</u>
<u>Governmental activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,501,390	-	6	2,501,384
Construction in progress	<u>10,513,960</u>	<u>7,539,754</u>	<u>7,974,881</u>	<u>10,078,833</u>
Total assets not being depreciated	<u>13,015,350</u>	<u>7,539,754</u>	<u>7,974,887</u>	<u>12,580,217</u>
 <i>Capital assets being depreciated:</i>				
Buildings	5,232,723	35,719	-	5,268,442
Improvements other than buildings	1,408,227	-	-	1,408,227
Infrastructure	8,523,962	6,097,860	-	14,621,822
Machinery and equipment	<u>7,010,955</u>	<u>2,145,646</u>	<u>5,000</u>	<u>9,151,601</u>
Total capital assets being depreciated	<u>22,175,867</u>	<u>8,279,225</u>	<u>5,000</u>	<u>30,450,092</u>
 Less accumulated depreciation for:				
Buildings	2,249,781	84,693	-	2,334,474
Improvements other than buildings	721,981	62,826	-	784,807
Infrastructure	6,346,419	68,286	-	6,414,705
Machinery and equipment	<u>5,524,982</u>	<u>462,203</u>	<u>5,000</u>	<u>5,982,185</u>
Total accumulated depreciation	<u>14,843,163</u>	<u>678,008</u>	<u>5,000</u>	<u>15,516,171</u>
 Total capital assets being depreciated, net	 <u>7,332,704</u>	 <u>7,601,217</u>	 <u>-</u>	 <u>14,933,921</u>
 Governmental activity capital assets, net	 \$ <u>20,348,054</u>	 <u>15,140,971</u>	 <u>7,974,887</u>	 <u>27,514,138</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

	Balance July 1, <u>2008</u>	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance June 30, <u>2009</u>
<u>Business-type activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 693,997	-	-	693,997
Construction in progress	<u>14,327,807</u>	<u>14,998,407</u>	<u>10,050,192</u>	<u>19,276,022</u>
Total assets not being depreciated	<u>15,021,804</u>	<u>14,998,407</u>	<u>10,050,192</u>	<u>19,970,019</u>
<i>Capital assets being depreciated:</i>				
Buildings	23,840,189	-	-	23,840,189
Improvements other than buildings	89,149,523	10,050,194	-	99,199,717
Machinery and equipment	<u>2,640,504</u>	<u>57,630</u>	-	<u>2,698,134</u>
Total assets being depreciated	<u>115,630,216</u>	<u>10,107,824</u>	-	<u>125,738,040</u>
Less accumulated depreciation for:				
Buildings	11,053,759	859,967	-	11,913,726
Improvements other than buildings	49,967,116	2,353,932	-	53,321,048
Machinery and equipment	<u>1,937,933</u>	<u>127,822</u>	-	<u>2,065,755</u>
Total accumulated depreciation	<u>62,958,808</u>	<u>3,341,721</u>	-	<u>66,300,529</u>
Total capital assets being depreciated, net	<u>52,671,408</u>	<u>6,766,103</u>	-	<u>59,437,511</u>
Business-type activity capital assets, net	\$ <u>67,693,212</u>	<u>21,764,510</u>	<u>10,050,192</u>	<u>79,407,530</u>

Depreciation expense was charged to the functions as follows:

Governmental activities

General government	\$ 46,400
Public safety	303,443
Public works	178,246
Engineering	4,127
Parks and recreation	133,849
Library	2,720
Community services	<u>9,223</u>
Total depreciation expense – governmental activities	\$ <u>678,008</u>

Business-type activities

Cargo Pier	\$ 446,966
Boat Harbor	1,083,281
Harbor Electric	8,638
Water Utility	556,614
Sewer Utility	1,215,472
Trident Basin	<u>30,750</u>
Total depreciation expense – business-type activities	\$ <u>3,341,721</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

(6) **Long Term Debt**

Long-term debt at June 30, 2009 is comprised of the following:

	Balance July 1, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2009</u>	Due Within <u>One Year</u>
<u>Governmental activities</u>					
\$8,000,000 2008 Series A Public Safety Building General Obligation Bonds, due in annual installments of \$145,000 to \$480,000 plus interest at 4.0% to 5.2% through 2038	\$ 8,000,000	-	135,000	7,865,000	145,000
Accrued leave	686,853	451,494	450,946	687,401	450,000
Net pension/OPEB obligation	<u>1,153,915</u>	<u>-</u>	<u>1,153,915</u>	<u>-</u>	<u>-</u>
Total governmental activities	\$ <u>9,840,768</u>	<u>451,494</u>	<u>1,739,861</u>	<u>8,552,401</u>	<u>595,000</u>

The accrued leave related to governmental activities is generally liquidated by the General Fund.

	Balance July 1, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2009</u>	Due Within <u>One Year</u>
<u>Business-type activities</u>					
Revenue Bonds:					
\$1,015,000 2003 Series C Water Revenue Bonds, due in final installment of \$215,000 plus interest at 3.0% in 2009	\$ 215,000	-	215,000	-	-
\$2,000,000 2007 Series A Boat Harbor Revenue Bonds, due in annual installments of \$30,000 to \$125,000 plus interest at 4.0% to 6.0% through 2038	2,000,000	-	-	2,000,000	30,000

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Long Term Debt, continued

	Balance July 1, 2008	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2009	Due Within <u>One Year</u>
<u>Business-type activities, continued</u>					
Revenue Bonds, continued:					
\$4,000,000 2007 Series A Boat Yard/Lift Revenue Bonds, due in annual installments of \$60,000 to \$295,000 plus interest at 4.0% to 6.0% through 2038	\$ 4,000,000	-	-	4,000,000	60,000
\$1,000,000 2009 Series One Boat Yard/Lift Revenue Bonds, due in annual installments of \$15,000 to \$65,000 plus interest at 3.0% to 5.875% through 2037	-	1,000,000	-	1,000,000	15,000
Loans Payable:					
\$3,016,458 Sewer loan, due in annual installments of \$201,097, including interest at 1.5% through 2016	1,608,779	-	201,097	1,407,682	201,097
\$550,000 Water loan, terms not yet established, interest at 1.5%	-	550,000	-	550,000	-
\$550,000 Sewer loan, terms not yet established, interest at 1.5%	-	550,000	-	550,000	-
Accrued leave	<u>167,995</u>	<u>139,356</u>	<u>104,807</u>	<u>202,544</u>	<u>105,000</u>
Total business-type activities	\$ <u>7,991,774</u>	<u>2,239,356</u>	<u>520,904</u>	<u>9,710,226</u>	<u>411,097</u>

Annual debt service requirements to maturity for all the above obligations, except the two loans not yet in repayment status and the accrued leave follow:

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Long Term Debt, continued

Governmental activities

Year Ending <u>June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 145,000	385,740	530,740
2011	150,000	378,490	528,490
2012	155,000	370,990	525,990
2013	165,000	363,240	528,240
2014	175,000	354,990	529,990
2015-2019	990,000	1,640,150	2,630,150
2020-2024	1,110,000	1,422,338	2,532,338
2025-2029	1,400,000	1,138,010	2,538,010
2030-2034	1,785,000	749,915	2,534,915
2035-2038	<u>1,790,000</u>	<u>238,420</u>	<u>2,028,420</u>
	<u>\$ 7,865,000</u>	<u>7,042,283</u>	<u>14,907,283</u>

Business-type activities

Year Ending <u>June 30,</u>	<u>Revenue Bonds</u>			<u>Loan Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 105,000	342,139	447,139	201,097	21,115	222,212
2011	100,000	336,439	436,439	201,097	18,099	219,196
2012	110,000	330,664	440,664	201,097	15,082	216,179
2013	115,000	324,414	439,414	201,097	12,066	213,163
2014	125,000	317,614	442,614	201,097	9,049	210,146
2015-2019	720,000	1,470,619	2,190,619	402,197	9,049	411,246
2020-2024	935,000	1,227,972	2,162,972	-	-	-
2025-2029	1,170,000	1,026,578	2,196,578	-	-	-
2030-2034	1,815,000	673,284	2,488,284	-	-	-
2035-2038	<u>1,805,000</u>	<u>182,766</u>	<u>1,987,766</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,000,000</u>	<u>6,232,489</u>	<u>13,232,489</u>	<u>1,407,682</u>	<u>84,460</u>	<u>1,492,142</u>

Revenue Bond Requirements

Certain covenants of the revenue bonds require the establishment of bond redemption and reserve accounts. This requirement is reflected as restricted cash and investments in the Boat Harbor and Boat Yard/Lift Enterprise Funds in the amount of \$505,050.

(7) **Sales Tax Revenues**

A sales tax of six (6) percent of the sales price or charge is levied on all sales, rentals, and services made within the City. An additional five (5) percent of the rental charge is levied on all transient room rentals within the City.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Sales Tax Revenues, continued

Net sales tax revenues and transient room taxes for the years ended June 30, 2009 and 2008 respectively, are as follows:

	<u>2009</u>	<u>2008</u>
General Fund general sales taxes	\$ <u>9,277,394</u>	<u>8,850,746</u>
Tourism Development Special Revenue Fund room taxes	\$ <u>168,267</u>	<u>146,385</u>

The sales tax and transient room tax proceeds are allocated in accordance with Ordinance Number 964, amending City Code Chapter 3.08 relating to taxes, in the following manner:

<u>Fund</u>	<u>Percentage</u>	<u>Maximum Proceeds</u>
General Fund	4.00%	N/A
Street Improvements Capital Projects Fund	0.90%	\$ 900,000
Parks and Recreation Capital Projects Fund	0.10%	100,000
Boat Harbor Enterprise Fund	<u>1.00%</u>	1,000,000
 Total sales tax	 <u>6.00%</u>	

<u>Fund or Program</u>	<u>Percentage</u>	<u>Maximum Proceeds</u>
Council approved tourism program	3.50%	N/A
Tourism enhancement projects	1.00%	N/A
Administrative costs associated with projects	<u>0.50%</u>	N/A
 Total transient room tax	 <u>5.00%</u>	

Sales tax revenues associated with the Capital Projects Funds are recorded as transfers from the General Fund to the applicable Capital Project Fund. Allocations to these funds for the years ended June 30, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Capital Projects Funds:		
Street Improvements	\$ 450,000	450,000
Parks and Recreation	50,000	50,000
Harbor & Port Improvement	<u>500,000</u>	<u>500,000</u>
 Total sales tax revenues transferred from the General Fund	 \$ <u>1,000,000</u>	 <u>1,000,000</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

(8) **Interfund Transfers**

The following is a summary of interfund transfers for the year ended June 30, 2009:

From General Fund to:	
Public Safety Building Capital Project Fund for capital costs	\$ 2,200,000
Street Improvement Capital Project Fund for capital costs	450,000
Boat Harbor Enterprise Fund for capital costs.	500,000
Nonmajor governmental funds for capital projects	600,000
Nonmajor governmental funds to cover operating costs	1,368,473
From Street Improvement Capital Project Fund to:	
General Fund to cover operating costs	6,000
Water Utility Enterprise Fund for capital costs	80,460
From Water Utility Enterprise Fund to:	
Street Improvement Capital Project Fund for capital costs	805,100
Nonmajor governmental fund for capital costs	30,000
From Sewer Utility Enterprise Fund to	
Water Utility Enterprise Fund for capital costs	650,000
From nonmajor governmental funds to:	
Nonmajor governmental fund for capital costs	10,000
General Fund to cover operating costs	142,190
Public Safety Capital Project Fund for capital costs	4,000,000
Street Improvement Capital Project Fund for capital costs	90,000
From PERS Internal Service Fund to other funds to close out fund:	
General Fund	978,653
Cargo Pier Enterprise Fund	29,531
Boat Harbor Enterprise Fund	114,421
Water Utility Enterprise Fund	69,286
Sewer Utility Enterprise Fund	86,974
Nonmajor enterprise fund	1,832
From internal service fund to General Fund for operating costs	<u>500,000</u>
Total transfers to other funds	\$ <u>12,712,920</u>

In addition to the above transfers, an additional transfer of \$1,174,215 was made from the business-type activities to the governmental activities in the Statement of Activities to reallocate the internal service fund equity.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

(9) **Defined Benefit Pension Plan**

The City participates in the Public Employees' Retirement System (PERS). PERS was originally established as an agent multiple employer plan, but was converted by legislation to a cost-sharing plan, effective July 1, 2008. The plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, Alaska 99811-0203

Conversion to Cost Sharing

In April 2008 the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather, all plan costs and past service liabilities will be shared among all participating employers. The cost-sharing plan will require a uniform employer contribution rate of 22% or less of active member wages, subject to a wage floor. In addition, the legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions will be recognized by each employer as an on-behalf payment.

In addition, in fiscal year 2008, the State of Alaska passed legislation (SB 123) which requires that the employer contribution be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

As a result of the conversion to cost-sharing, the City will not be obligated to pay or to continue amortizing any prior recorded Net Pension/OPEB obligation. Accordingly, the City has written off its June 30, 2008 net pension/OPEB obligation and has recognized a special item (gain) in the amount of \$1,153,915 in these financial statements.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (2.09% for pension and 4.66% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.32% for pension and 5.18% for healthcare). The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due.

Under the recently adopted cost sharing arrangement, the employer contribution rate is statutorily capped at 22%, although State legislation currently provides that the State of Alaska will contribute any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate. This rate will be consistent with the actuarially determined rate, but not the same as the Governmental Accounting Standards Board (GASB) Statement 45 accounting rate.

The City's contribution rates for 2009 were determined as part of the June 30, 2006 actuarial valuation and are as follows:

	Contractual Rate	ARM Board Adopted Rate	GASB 45* Rate
Pension	6.82%	10.91%	8.47%
Postemployment healthcare	<u>15.18%</u>	<u>24.31%</u>	<u>37.25%</u>
Total contribution rate	<u>22.00%</u>	<u>35.22%</u>	<u>45.72%</u>

*Using the 4.5% OPEB discount rate and disregarding future Medicare Part D payments.

The significant actuarial information and assumptions used in the most recent valuation of the plan follow:

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry age normal Level percentage of pay for pension Level dollar for healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.25% pension, 4.5% healthcare
Salary Scale	<i>Peace Officers/Firefighters</i> Merit: 2.5% per year for first 6 years, 0.5% thereafter Productivity: 0.5% per year

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

	<i>Others</i>
	Merit: 5.5% per year grading down to 1.5% after 5 years, for more than 6 years of service, 1.0% grading down to 0%
	Productivity: 0.5% per year
Payroll Growth	4.0%
Inflation	3.5%
Health Cost Trend	Medical: 8.0% in FY09 trending downward by variable amounts to 5.9% in FY15, 5.8% through FY25, 5.7% through FY50, and 5.1% through FY100
	Prescription Drugs: 10.8% in FY09 trending downward by variable amounts to 5.9% in FY15, 5.8% through FY25, 5.7% through FY50 and 5.1% through FY100

The State of Alaska Public Employees’ Retirement System retiree healthcare benefits are partially funded. The PERS plan uses the percentage of ARC methodology in the development of the investment rate of return.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.22% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State contribution in the amount of \$830,234 as a PERS on-behalf payment. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here. Only one year of information is available at this time.

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>City Contributions</u>	<u>% of TBC Contributed</u>
2009	\$ 383,381	\$ 904,232	\$ 1,287,613	\$ 1,287,613	100%

(10) **Defined Contribution Pension Plan**

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III defined benefit plans. The plan is administered by the State of Alaska, Department of Administration, and benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. Employees are required to contribute 8.0% of their annual covered salary and the City is required to make the following contributions:

	<u>Others Tier IV</u>	<u>Police/Fire Tier IV</u>
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	0.99	0.99
Occupational death and disability benefits	<u>0.58</u>	<u>1.33</u>
	<u>9.57 %</u>	<u>10.32%</u>

*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the average employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Defined Contribution Pension Plan, continued

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2009 were \$108,535 and \$83,379, respectively.

(11) **Risk Management**

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e. errors and omissions, (d) environmental damage, (e) workers compensation, and (f) medical/dental/vision costs for employees. The City of Kodiak participates in the Alaska Municipal League Joint Insurance Association, Inc. (AMLJIA), which covers property and contents, torts, general and auto liability, public officials and employees liability, and workers compensation. AMLJIA is a public entity risk pool, which reinsures risk above certain levels, thereby relieving members of the need for additional assessments. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. The Association made no supplemental assessments during the year ended June 30, 2009. Coverage limits and deductibles on policies have remained relatively constant for the last several years. No settlements in excess of insurance coverage have been realized over the past three years.

In addition to the AMLJIA coverage, the City has commercial insurance coverage for storage tanks third party liability, and aviation liability for the two City-owned airports; Kodiak Municipal Airport, and the Trident Basin Seaplane Base.

The City maintains commercial insurance coverage for the health and medical benefit program which covers all full time employees.

(12) **Enhancement Fund**

The City has an Enhancement Fund in which the moneys are to be held perpetually in trust for the benefit of the present and future generations of Kodiak residents. Any principal portions of the Enhancement Fund cannot be appropriated without approval from at least five City council members. The Enhancement Fund was established with a transfer of \$5 million dollars from the General Fund to a separate Special Revenue Fund. The ordinance creating the Enhancement Fund requires fifty percent of the General Fund surplus (which is calculated annually based upon excess revenues and other financing sources, less expenditures and other financing uses) to be deposited in the Enhancement Fund by January 1 of the succeeding year. The General Fund's surplus for the year ended June 30, 2008 was \$2,736,946 and accordingly, \$1,368,473 was transferred to the Enhancement Fund during the current year. The General Fund had a negative change to fund balance of \$606,094 for the year ended June 30, 2009. In addition, there is a provision for transferring to the General Fund any excess earnings, over and above those earnings necessary for inflation-proofing of the Enhancement Fund. Based on the current year earnings, excess earnings of \$142,190 were transferred to the General Fund from the Enhancement Fund.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

(13) **Operating Lease**

The City occupies office space leased from the Kodiak Island Borough under a noncancellable operating lease that runs through June 30, 2011. The lease rate is \$7,006 per month. For the year ended June 30, 2009, the City recognized \$84,363 in rent expense paid to the Kodiak Island Borough.

(14) **Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be nominal.

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ADDITIONAL
INFORMATION

NONMAJOR FUNDS

CITY OF KODIAK, ALASKA
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2009

<u>Assets</u>	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>		<u>Total Nonmajor Govern- mental Funds</u>
	<u>Tourism Develop- ment</u>	<u>Special Assess- ments</u>	<u>Enhance- ment</u>	<u>New Library</u>	<u>General Capital Projects</u>	<u>Parks and Recreation</u>	
Cash and investments	\$ 98,443	18,305	3,476,036	10,100	1,271,816	374,170	5,248,870
Receivables:							
Taxes	46,708	-	-	-	-	-	46,708
Grants	-	-	-	-	8,400	-	8,400
Special assessments	-	291,925	-	-	-	-	291,925
Interest	-	-	81,434	-	3,892	-	85,326
 Total assets	 \$ <u>145,151</u>	 <u>310,230</u>	 <u>3,557,470</u>	 <u>10,100</u>	 <u>1,284,108</u>	 <u>374,170</u>	 <u>5,681,229</u>
 <u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	-	472	-	-	104,329	19,902	124,703
Deferred assessments	-	279,472	-	-	-	-	279,472
Deferred revenue	-	-	-	-	18,693	-	18,693
Total liabilities	<u>-</u>	<u>279,944</u>	<u>-</u>	<u>-</u>	<u>123,022</u>	<u>19,902</u>	<u>422,868</u>
Fund balances - unreserved:							
Designated:							
Capital projects	-	-	-	-	1,161,086	354,268	1,515,354
Subsequent year's expenditures	1,000	-	-	-	-	-	1,000
Undesignated	<u>144,151</u>	<u>30,286</u>	<u>3,557,470</u>	<u>10,100</u>	<u>-</u>	<u>-</u>	<u>3,742,007</u>
Total fund balances	<u>145,151</u>	<u>30,286</u>	<u>3,557,470</u>	<u>10,100</u>	<u>1,161,086</u>	<u>354,268</u>	<u>5,258,361</u>
 Total liabilities and fund balances	 \$ <u>145,151</u>	 <u>310,230</u>	 <u>3,557,470</u>	 <u>10,100</u>	 <u>1,284,108</u>	 <u>374,170</u>	 <u>5,681,229</u>

CITY OF KODIAK, ALASKA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2009

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Govern- mental Funds
	Tourism Develop- ment	Special Assess- ments	Enhance- ment	New Library	General Capital Projects	Parks and Recreation	
Revenues:							
Taxes	\$ 168,267	-	-	-	-	-	168,267
Rental	-	-	40,371	-	-	-	40,371
Intergovernmental	-	-	-	-	60,200	56,981	117,181
Investment income	2,148	505	265,589	-	25,713	7,241	301,196
Special assessments	-	91,300	-	-	-	-	91,300
Sale of land	-	-	759,154	-	-	-	759,154
Other revenues	-	-	-	1,032	-	10,000	11,032
Total revenues	<u>170,415</u>	<u>91,805</u>	<u>1,065,114</u>	<u>1,032</u>	<u>85,913</u>	<u>74,222</u>	<u>1,488,501</u>
Expenditures:							
General government	-	-	-	-	10,303	-	10,303
Public safety	-	-	-	-	26,101	-	26,101
Public works	-	390	-	-	130,975	-	131,365
Parks and recreation	-	-	-	-	-	26,717	26,717
Community services	130,676	-	-	1,515	155,678	-	287,869
Capital outlay	-	-	-	-	-	30,779	30,779
Total expenditures	<u>130,676</u>	<u>390</u>	<u>-</u>	<u>1,515</u>	<u>323,057</u>	<u>57,496</u>	<u>513,134</u>
Excess of revenues over (under) expenditures	39,739	91,415	1,065,114	(483)	(237,144)	16,726	975,367
Other financing sources (uses):							
Transfers in	-	-	1,368,473	10,000	580,000	50,000	2,008,473
Transfers out	-	(90,000)	(4,152,190)	-	-	-	(4,242,190)
Net other financing sources (uses)	<u>-</u>	<u>(90,000)</u>	<u>(2,783,717)</u>	<u>10,000</u>	<u>580,000</u>	<u>50,000</u>	<u>(2,233,717)</u>
Net change in fund balances	39,739	1,415	(1,718,603)	9,517	342,856	66,726	(1,258,350)
Fund balances at beginning of year	<u>105,412</u>	<u>28,871</u>	<u>5,276,073</u>	<u>583</u>	<u>818,230</u>	<u>287,542</u>	<u>6,516,711</u>
Fund balances at end of year	<u>\$ 145,151</u>	<u>30,286</u>	<u>3,557,470</u>	<u>10,100</u>	<u>1,161,086</u>	<u>354,268</u>	<u>5,258,361</u>

CITY OF KODIAK, ALASKA
 Nonmajor Enterprise Funds
 Combining Statement of Net Assets
 June 30, 2009

<u>Assets</u>	<u>Harbor Electric</u>	<u>Trident Basin</u>	<u>Total Nonmajor Enterprise Funds</u>
Current assets:			
Cash and investments	\$ 399,688	-	399,688
Receivables - net of allowances	<u>42,035</u>	<u>102,916</u>	<u>144,951</u>
Total current assets	<u>441,723</u>	<u>102,916</u>	<u>544,639</u>
Noncurrent assets - property, plant and equipment, net	<u>64,535</u>	<u>5,143,718</u>	<u>5,208,253</u>
Total assets	\$ <u>506,258</u>	<u>5,246,634</u>	<u>5,752,892</u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable	30,850	1,366	32,216
Customer deposits	14,500	1,536	16,036
Due to other funds	<u>-</u>	<u>632,460</u>	<u>632,460</u>
Total current liabilities	<u>45,350</u>	<u>635,362</u>	<u>680,712</u>
Net assets:			
Invested in capital assets	64,535	5,143,718	5,208,253
Unrestricted (deficit)	<u>396,373</u>	<u>(532,446)</u>	<u>(136,073)</u>
Total net assets	<u>460,908</u>	<u>4,611,272</u>	<u>5,072,180</u>
Total liabilities and net assets	\$ <u>506,258</u>	<u>5,246,634</u>	<u>5,752,892</u>

CITY OF KODIAK, ALASKA
 Nonmajor Enterprise Funds
 Combining Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2009

	Harbor <u>Electric</u>	Trident <u>Basin</u>	Total Nonmajor Enterprise <u>Funds</u>
Operating revenues	\$ <u>708,714</u>	<u>30,571</u>	<u>739,285</u>
Operating expenses:			
Salaries and benefits	46,632	2,417	49,049
Professional	-	4,274	4,274
Goods and services	543,410	15,597	559,007
Utilities and fuel	-	5,909	5,909
Administrative services	-	3,440	3,440
Machinery and equipment	12,449	-	12,449
Interfund charges	-	115,020	115,020
Depreciation	<u>8,638</u>	<u>30,750</u>	<u>39,388</u>
Total operating expenses	<u>611,129</u>	<u>177,407</u>	<u>788,536</u>
Earnings (loss) from operations	97,585	(146,836)	(49,251)
Nonoperating revenues - investment income	<u>7,851</u>	<u>353</u>	<u>8,204</u>
Earnings (loss) before contributions and transfers	105,436	(146,483)	(41,047)
Capital contributions	-	96,632	96,632
Transfers in	<u>1,832</u>	<u>-</u>	<u>1,832</u>
Change in net assets	107,268	(49,851)	57,417
Net assets at beginning of year	<u>353,640</u>	<u>4,661,123</u>	<u>5,014,763</u>
Net assets at end of year	\$ <u>460,908</u>	<u>4,611,272</u>	<u>5,072,180</u>

CITY OF KODIAK, ALASKA
 Nonmajor Enterprise Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2009

	Harbor <u>Electric</u>	Trident <u>Basin</u>	Total Nonmajor Enterprise <u>Funds</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 702,828	26,618	729,446
Payments for interfund services used	-	(115,020)	(115,020)
Payments to suppliers	(560,847)	(28,917)	(589,764)
Payments to employees	<u>(46,632)</u>	<u>(2,417)</u>	<u>(49,049)</u>
Net cash flows from operating activities	<u>95,349</u>	<u>(119,736)</u>	<u>(24,387)</u>
Cash flows from capital and related financing activities:			
Purchase of property, plant and equipment	-	(110,634)	(110,634)
Increase in due to other funds	-	116,318	116,318
Capital contributions received	-	113,699	113,699
Transfers in	<u>1,832</u>	<u>-</u>	<u>1,832</u>
Net cash flows from capital and related financing activities	<u>1,832</u>	<u>119,383</u>	<u>121,215</u>
Cash flows from investing activities - investment income received	<u>7,851</u>	<u>353</u>	<u>8,204</u>
Net increase in cash and investments	105,032	-	105,032
Cash and investments at beginning of year	<u>294,656</u>	<u>-</u>	<u>294,656</u>
Cash and investments at end of year	\$ <u>399,688</u>	<u>-</u>	<u>399,688</u>
Reconciliation of earnings (loss) from operations to net cash flows from operating activities			
Earnings (loss) from operations	97,585	(146,836)	(49,251)
Adjustments to reconcile earnings (loss) from operations to net cash flows provided (used) by operating activities:			
Depreciation	8,638	30,750	39,388
Increase in assets - accounts receivable	(5,686)	(3,953)	(9,639)
Increase (decrease) in liabilities:			
Accounts payable	(4,988)	303	(4,685)
Customer deposits	<u>(200)</u>	<u>-</u>	<u>(200)</u>
Net cash flows from operating activities	\$ <u>95,349</u>	<u>(119,736)</u>	<u>(24,387)</u>

GENERAL FUND

The General Fund accounts for the financial operations of the City which are not required to be accounted for in any other fund. It is the City's primary operating fund.

CITY OF KODIAK, ALASKA
 General Fund
 Balance Sheet
 June 30, 2009
 (With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and investments	\$ <u>2,169,550</u>	<u>5,731,126</u>
Receivables:		
Taxes	2,478,957	2,353,984
Grants and shared revenues	55,907	58,537
Interest	<u>6,639</u>	<u>27,423</u>
Total receivables	<u>2,541,503</u>	<u>2,439,944</u>
Due from other funds	3,456,270	516,142
Prepaid items	<u>14,622</u>	<u>48,735</u>
Total assets	\$ <u>8,181,945</u>	<u>8,735,947</u>

Liabilities and Fund Balance

Liabilities:		
Accounts payable	172,429	132,827
Accrued payroll and related liabilities	301,643	289,986
Customer deposits	<u>3,750</u>	<u>2,917</u>
Total liabilities	<u>477,822</u>	<u>425,730</u>
Fund balance:		
Reserved for prepaid items	14,622	48,735
Unreserved and undesignated	<u>7,689,501</u>	<u>8,261,482</u>
Total fund balance	<u>7,704,123</u>	<u>8,310,217</u>
Total liabilities and fund balance	\$ <u>8,181,945</u>	<u>8,735,947</u>

CITY OF KODIAK, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2009
 (With Comparative Amounts for 2008)

	2009		Variance Positive (Negative)	2008
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Taxes:				
Property taxes	\$ 630,000	651,699	21,699	655,943
Sales taxes	8,500,000	9,277,394	777,394	8,850,746
Other taxes	3,500	-	(3,500)	3,497
Penalties and interest	15,000	31,565	16,565	24,561
Total taxes	<u>9,148,500</u>	<u>9,960,658</u>	<u>812,158</u>	<u>9,534,747</u>
Intergovernmental:				
Grants	27,000	44,520	17,520	37,154
Municipal assistance	390,000	389,286	(714)	353,911
State PERS relief	751,230	640,340	(110,890)	778,085
State PERS rebate	-	-	-	428,035
Fisheries business tax	950,000	946,635	(3,365)	823,097
Shared fisheries business and landing tax	63,000	70,855	7,855	62,581
Liquor licenses	30,000	31,600	1,600	28,300
Fuel tax sharing	14,000	6,634	(7,366)	6,955
Telephone and electric sharing	38,100	39,963	1,863	40,700
Total intergovernmental	<u>2,263,330</u>	<u>2,169,833</u>	<u>(93,497)</u>	<u>2,558,818</u>
Charges for services:				
Public safety:				
Boarding of state prisoners	605,340	607,135	1,795	607,360
State Trooper contract	80,000	128,877	48,877	129,174
Borough animal control	84,125	84,125	-	72,380
Borough E911 access fees	64,000	64,000	-	65,000
Ambulance services	40,000	44,070	4,070	31,965
Other public safety charges	79,000	85,462	6,462	60,899
School crossing guard services	12,000	8,060	(3,940)	7,680
School lifeguard services	7,500	7,918	418	7,074
Borough building inspector charges	130,000	76,285	(53,715)	110,469
Library fees and charges	17,200	16,140	(1,060)	18,623
Parks and recreation fees and charges	105,000	101,195	(3,805)	100,808
Public works services	6,800	9,625	2,825	7,723
Total charges for services	<u>1,230,965</u>	<u>1,232,892</u>	<u>1,927</u>	<u>1,219,155</u>

CITY OF KODIAK, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	2009		Variance Positive (Negative)	2008
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues, continued:				
Fines and forfeitures	\$ 32,000	20,122	(11,878)	55,479
Licenses and permits	59,500	76,679	17,179	102,748
Rental income	134,930	173,089	38,159	97,030
Interfund charges:				
Cargo Pier Fund	85,830	85,830	-	99,390
Boat Harbor Fund	85,830	85,830	-	99,390
Water Fund	85,820	85,820	-	99,400
Sewer Fund	85,820	85,820	-	99,400
Trident Basin Fund	85,830	85,830	-	99,390
Public works	165,400	165,400	-	142,720
Engineering and inspection fees	65,890	65,890	-	88,740
Tourism Development Fund	30,500	30,500	-	32,000
Total interfund charges	690,920	690,920	-	760,430
Investment income	100,000	234,671	134,671	283,603
Sale of land	613,000	759,154	146,154	707,665
Other revenues	56,300	3,123	(53,177)	64,491
Total revenues	14,329,445	15,321,141	991,696	15,384,166
Expenditures:				
General government:				
Legislative	239,707	197,297	42,410	239,169
Legal	30,000	29,944	56	38,902
Executive	358,325	324,283	34,042	280,226
City clerk	322,175	286,258	35,917	333,282
Finance	1,250,180	1,099,886	150,294	1,030,102
Total general government	2,200,387	1,937,668	262,719	1,921,681

CITY OF KODIAK, ALASKA
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Expenditures, continued:				
Public safety:				
Police department:				
Administration:				
Operations	\$ 575,700	551,075	24,625	403,177
Bond principal	135,000	135,000	-	-
Bond interest	377,500	377,227	273	-
Uniformed patrol	1,357,460	1,244,333	113,127	1,351,511
Corrections	648,920	566,501	82,419	550,440
Investigations	289,870	266,637	23,233	246,995
Support services	809,840	765,839	44,001	810,981
Animal control	186,800	170,210	16,590	150,737
Drug enforcement	132,110	110,310	21,800	144,490
Community services	284,860	219,463	65,397	265,656
Canine	133,768	133,651	117	101,739
Fire department	<u>1,654,850</u>	<u>1,632,849</u>	<u>22,001</u>	<u>1,558,519</u>
Total public safety	<u>6,586,678</u>	<u>6,173,095</u>	<u>413,583</u>	<u>5,584,245</u>
Public works:				
Administration	92,630	87,876	4,754	83,970
Streets	1,318,420	1,269,716	48,704	1,127,358
Garage	281,740	271,523	10,217	252,017
Building inspection	274,090	248,903	25,187	224,430
Municipal airport facility	<u>37,450</u>	<u>22,470</u>	<u>14,980</u>	<u>27,620</u>
Total public works	<u>2,004,330</u>	<u>1,900,488</u>	<u>103,842</u>	<u>1,715,395</u>
Engineering	<u>185,490</u>	<u>128,245</u>	<u>57,245</u>	<u>162,559</u>
Parks and recreation:				
Administration	603,620	538,464	65,156	517,310
Museum	80,000	74,061	5,939	67,988
Teen Center	165,910	145,814	20,096	233,900
Aquatics	102,222	100,807	1,415	62,714
Ice rink	136,570	115,634	20,936	91,250
Beautification program	<u>16,000</u>	<u>12,123</u>	<u>3,877</u>	<u>13,907</u>
Total parks and recreation	<u>1,104,322</u>	<u>986,903</u>	<u>117,419</u>	<u>987,069</u>

CITY OF KODIAK, ALASKA
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	<u>2009</u>		<u>2008</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
			Variance Positive (Negative)
Expenditures, continued:			
Library	\$ <u>741,850</u>	<u>695,715</u>	<u>46,135</u>
Community services:			
Contributions	126,900	100,085	26,815
Downtown revitalization	<u>43,000</u>	<u>38,793</u>	<u>4,207</u>
Total community services	<u>169,900</u>	<u>138,878</u>	<u>31,022</u>
Other:			
Insurance and general administration	475,500	474,613	887
Debt service costs	<u>-</u>	<u>-</u>	<u>-</u>
Total other	<u>475,500</u>	<u>474,613</u>	<u>887</u>
Total expenditures	<u>13,468,457</u>	<u>12,435,605</u>	<u>1,032,852</u>
Excess of revenues over expenditures	860,988	2,885,536	2,024,548
Other financing sources (uses):			
General obligation bond issuance	-	-	-
Transfers in	1,506,000	1,626,843	120,843
Transfers out	<u>(5,118,470)</u>	<u>(5,118,473)</u>	<u>(3)</u>
Net other financing sources (uses)	<u>(3,612,470)</u>	<u>(3,491,630)</u>	<u>120,840</u>
Net change in fund balance	\$ <u>(2,751,482)</u>	<u>(606,094)</u>	<u>2,145,388</u>
Fund balance at beginning of year		<u>8,310,217</u>	<u>5,573,271</u>
Fund balance at end of year	\$ <u>7,704,123</u>		<u>8,310,217</u>

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted for particular purposes.

Special Assessments

This fund is used to account for assessments levied on street projects. No annual budget is prepared for this fund.

Tourism Development

This fund is used to account for the receipt and distribution of hotel and motel tax revenues.

Enhancement Fund

This fund accounts for investment income and transfers from the General Fund as determined by ordinance and is for the future benefit and use of the citizens of Kodiak.

New Library

This fund accounts for donations received for the future construction of a new library.

CITY OF KODIAK, ALASKA
 Tourism Development Special Revenue Fund
 Balance Sheet
 June 30, 2009
 (With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and investments	\$ 98,443	62,825
Receivables - taxes	<u>46,708</u>	<u>42,587</u>
 Total assets	 \$ <u>145,151</u>	 <u>105,412</u>
 <u>Fund Balance</u> 		
Fund balance - unreserved:		
Designated for subsequent year's expenditures	1,000	-
Undesignated	<u>144,151</u>	<u>105,412</u>
 Total fund balance	 \$ <u>145,151</u>	 <u>105,412</u>

CITY OF KODIAK, ALASKA
 Tourism Development Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2009
 (With Comparative Amounts for 2008)

	2009		Variance	2008
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Room taxes	\$ 120,000	168,267	48,267	146,385
Investment income	1,500	2,148	648	2,790
Total revenues	121,500	170,415	48,915	149,175
Expenditures - community services:				
Interfund services:				
Finance and administration	12,150	12,150	-	12,000
Public works services	2,350	2,350	-	4,000
Parks and recreation services	1,600	16,000	(14,400)	16,000
Other	1,000	600	400	600
Community service contributions	100,000	99,576	424	86,000
Total expenditures	117,100	130,676	(13,576)	118,600
Net change in fund balance	\$ 4,400	39,739	35,339	30,575
Fund balance at beginning of year		105,412		74,837
Fund balance at end of year	\$ 145,151			105,412

CITY OF KODIAK, ALASKA
Special Assessments Special Revenue Fund
Balance Sheet
June 30, 2009
(With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and investments	\$ 18,305	12,999
Receivables - special assessments	<u>291,925</u>	<u>373,665</u>
Total assets	\$ <u>310,230</u>	<u>386,664</u>
 <u>Liabilities and Fund Balance</u> 		
Liabilities:		
Accounts payable	472	824
Deferred assessments	<u>279,472</u>	<u>356,969</u>
Total liabilities	279,944	357,793
Fund balance - unreserved and undesignated	<u>30,286</u>	<u>28,871</u>
Total liabilities and fund balance	\$ <u>310,230</u>	<u>386,664</u>

CITY OF KODIAK, ALASKA
 Special Assessments Special Revenue Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance
 Year Ended June 30, 2009
 (With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Revenues:		
Special assessments	\$ 91,300	99,587
Investment income	<u>505</u>	<u>23,117</u>
Total revenues	91,805	122,704
Expenditures - public works - professional services	<u>390</u>	<u>1,702</u>
Excess of revenues over expenditures	91,415	121,002
Other financing uses - transfers out	<u>(90,000)</u>	<u>(145,500)</u>
Net change in fund balance	1,415	(24,498)
Fund balance at beginning of year	<u>28,871</u>	<u>53,369</u>
Fund balance at end of year	\$ <u>30,286</u>	<u>28,871</u>

CITY OF KODIAK, ALASKA
Enhancement Fund Special Revenue Fund
Balance Sheet
June 30, 2009
(With Comparative Amounts for 2008)

	<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and investments		\$ 3,476,036	5,210,838
Interest receivable		<u>81,434</u>	<u>65,235</u>
Total assets		\$ <u>3,557,470</u>	<u>5,276,073</u>
 <u>Fund Balance</u>			
Fund balance - unreserved and undesignated		\$ <u>3,557,470</u>	<u>5,276,073</u>

CITY OF KODIAK, ALASKA
 Enhancement Fund Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2009
 (With Comparative Amounts for 2008)

	2009		Variance	2008
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Rental income	\$ 40,000	40,371	371	39,450
Investment income	160,000	265,589	105,589	304,894
Sale of land	<u>613,000</u>	<u>759,154</u>	<u>146,154</u>	<u>707,665</u>
Total revenues	<u>813,000</u>	<u>1,065,114</u>	<u>252,114</u>	<u>1,052,009</u>
Other financing sources (uses):				
Transfers in	1,368,470	1,368,473	3	350,205
Transfers out	<u>(4,010,000)</u>	<u>(4,152,190)</u>	<u>(142,190)</u>	<u>(139,784)</u>
Net other financing sources (uses)	<u>(2,641,530)</u>	<u>(2,783,717)</u>	<u>(142,187)</u>	<u>210,421</u>
Net change in fund balance	\$ <u>(1,828,530)</u>	<u>(1,718,603)</u>	<u>109,927</u>	1,262,430
Fund balance at beginning of year		<u>5,276,073</u>		<u>4,013,643</u>
Fund balance at end of year		\$ <u>3,557,470</u>		<u>5,276,073</u>

CITY OF KODIAK, ALASKA
New Library Special Revenue Fund
Balance Sheet
June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and investments	\$ <u>10,100</u>	<u>583</u>
<u>Fund Balance</u>		
Fund balance - unreserved and undesignated	\$ <u>10,100</u>	<u>583</u>

CITY OF KODIAK, ALASKA
 New Library Special Revenue Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance
 Year Ended June 30, 2009
 (With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Revenues:		
Other	\$ 1,032	570
Investment income	<u>-</u>	<u>13</u>
Total revenues	1,032	583
Expenditures - new library - administration	<u>1,515</u>	<u>-</u>
Excess of revenues over (under) expenditures	(483)	583
Other financing sources - transfers in	<u>10,000</u>	<u>-</u>
Net change in fund balance	9,517	583
Fund balance at beginning of year	<u>583</u>	<u>-</u>
Fund balance at end of year	\$ <u>10,100</u>	<u>583</u>

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CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

General Capital Projects

This fund is used to account for various small capital projects.

Street Improvements

This fund accounts for major capital outlay and repair and improvements on streets and roads owned by the City.

Public Safety Building

This fund is used to account for the costs associated with the new public safety building.

Parks and Recreation

This fund is used to account for the construction and improvements of City-owned parks and recreational facilities.

CITY OF KODIAK, ALASKA
General Capital Projects Fund
Balance Sheet
June 30, 2009
(With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and investments	\$ 1,271,816	900,856
Receivables:		
Grants	8,400	6,000
Interest	<u>3,892</u>	<u>-</u>
Total assets	\$ <u>1,284,108</u>	<u>906,856</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	104,329	19,933
Deferred revenue	<u>18,693</u>	<u>68,693</u>
Total liabilities	<u>123,022</u>	<u>88,626</u>
Fund balance - designated for capital projects	<u>1,161,086</u>	<u>818,230</u>
Total liabilities and fund balance	\$ <u>1,284,108</u>	<u>906,856</u>

CITY OF KODIAK, ALASKA
General Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Revenues:		
Intergovernmental	\$ 60,200	99,201
Investment income	<u>25,713</u>	<u>17,371</u>
Total revenues	<u>85,913</u>	<u>116,572</u>
Expenditures:		
Communications improvements	-	38,964
Near Island development	432	12,852
City land development	7,143	-
Ambulance	-	190,500
Siren alert warning system	8,400	13,800
Comprehensive records management program	10,303	827
Museum building phase I	50,000	45,770
Museum building phase II	105,675	-
Municipal airport improvement	1,022	16,605
KFD deferred maintenance	16,387	208,370
Roof and building evaluation	122,381	-
Home land security	<u>1,314</u>	<u>-</u>
Total expenditures	<u>323,057</u>	<u>527,688</u>
Excess of revenues over (under) expenditures	(237,144)	(411,116)
Other financing sources - transfers in	<u>580,000</u>	<u>1,000,000</u>
Net change in fund balance	342,856	588,884
Fund balance at beginning of year	<u>818,230</u>	<u>229,346</u>
Fund balance at end of year	\$ <u><u>1,161,086</u></u>	<u><u>818,230</u></u>

CITY OF KODIAK, ALASKA
Street Improvements Capital Project Fund
Balance Sheet
June 30, 2009
(With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and investments	\$ 2,593,927	3,283,664
Receivables - interest	<u>7,937</u>	<u>15,484</u>
 Total assets	 \$ <u>2,601,864</u>	 <u>3,299,148</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	273,529	17
Fund balance - designated for capital projects	<u>2,328,335</u>	<u>3,299,131</u>
 Total liabilities and fund balance	 \$ <u>2,601,864</u>	 <u>3,299,148</u>

CITY OF KODIAK, ALASKA
 Street Improvements Capital Project Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Year Ended June 30, 2009
 (With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Revenues - investment income	\$ <u>57,538</u>	<u>155,560</u>
Expenditures:		
Annual sidewalk, curb and gutter repair	42,062	235,336
Natalia Lane/Alder Lane	-	83,945
Gibson Cove strip	275	-
Mill Bay overlay	2,199,816	1,145
Maple Street Aleutian Phase III	<u>44,821</u>	<u>2,564</u>
Total expenditures	<u>2,286,974</u>	<u>322,990</u>
Excess of revenues over (under) expenditures	(2,229,436)	(167,430)
Other financing sources (uses):		
Transfers in	1,345,100	595,500
Transfers out	<u>(86,460)</u>	<u>(275,000)</u>
Net other financing sources (uses)	<u>1,258,640</u>	<u>320,500</u>
Net change in fund balance	(970,796)	153,070
Fund balance at beginning of year	<u>3,299,131</u>	<u>3,146,061</u>
Fund balance at end of year	\$ <u><u>2,328,335</u></u>	<u><u>3,299,131</u></u>

CITY OF KODIAK, ALASKA
Public Safety Building Capital Project Fund
Balance Sheet
June 30, 2009
(With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and investments	\$ 13,570,081	10,788,282
Receivables:		
Grants	-	1,142
Interest	<u>41,524</u>	<u>50,871</u>
 Total assets	 \$ <u>13,611,605</u>	 <u>10,840,295</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	2,191,604	480,028
Fund balance - designated for capital projects	<u>11,420,001</u>	<u>10,360,267</u>
 Total liabilities and fund balance	 \$ <u>13,611,605</u>	 <u>10,840,295</u>

CITY OF KODIAK, ALASKA
Public Safety Building Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Revenues:		
Intergovernmental	\$ 2,194,573	803,453
Investment income	<u>129,317</u>	<u>139,775</u>
Total revenues	<u>2,323,890</u>	<u>943,228</u>
Expenditures:		
Engineering and design	7,441,648	1,557,016
Salaries and benefits	<u>22,508</u>	<u>3,682</u>
Total expenditures	<u>7,464,156</u>	<u>1,560,698</u>
Excess of revenues over (under) expenditures	(5,140,266)	(617,470)
Other financing sources - transfers in	<u>6,200,000</u>	<u>8,000,000</u>
Net change in fund balance	1,059,734	7,382,530
Fund balance at beginning of year	<u>10,360,267</u>	<u>2,977,737</u>
Fund balance at end of year	\$ <u>11,420,001</u>	<u>10,360,267</u>

CITY OF KODIAK, ALASKA
Parks and Recreation Capital Project Fund
Balance Sheet
June 30, 2009
(With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and investments	\$ <u>374,170</u>	<u>291,709</u>
 <u>Liabilities and Fund Balance</u> 		
Liabilities - accounts payable	19,902	4,167
Fund balance - designated for capital projects	<u>354,268</u>	<u>287,542</u>
Total liabilities and fund balance	\$ <u>374,170</u>	<u>291,709</u>

CITY OF KODIAK, ALASKA
Parks and Recreation Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Revenues:		
Intergovernmental	\$ 56,981	104,693
Investment income	7,241	17,061
Other income	10,000	-
Total revenues	<u>74,222</u>	<u>121,754</u>
Expenditures:		
Seleif Lane playground	6,333	82,386
Playground equipment and improvements	19,286	2,924
Baranof baseball field	26,486	19,445
Major park maintenance	231	-
Multi-sport field and track	1,606	93,445
Baranof storage building	3,554	988
Total expenditures	<u>57,496</u>	<u>199,188</u>
Excess of revenues over (under) expenditures	16,726	(77,434)
Other financing sources (uses):		
Transfers in	50,000	50,000
Transfers out	-	(12,500)
Net other financing sources (uses)	<u>50,000</u>	<u>37,500</u>
Net change in fund balance	66,726	(39,934)
Fund balance at beginning of year	<u>287,542</u>	<u>327,476</u>
Fund balance at end of year	\$ <u>354,268</u>	<u>287,542</u>

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ENTERPRISE FUNDS

Cargo Pier

This fund accounts for all activities of the cargo pier.

Boat Harbor

This fund accounts for all activities of smaller crafts and all boat harbors within the City limits.

Harbor Electric Utility

This fund accounts for the electricity used at the City's harbors.

Water Utility

This fund accounts for the distribution of water services.

Sewer Utility

This fund accounts for the operation of the sewer distribution system.

Trident Basin

This fund accounts for the seaplane moorage activities at the Trident Basin.

Boat Yard/Lift

This fund accounts for the boat yard/lift activities.

CITY OF KODIAK, ALASKA
Cargo Pier Enterprise Fund
Statement of Net Assets
June 30, 2009
(With Comparative Amounts for 2008)

	<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:			
Cash and investments		\$ 2,545,631	1,847,661
Receivables:			
Accounts		93,592	2,454
Interest		7,790	-
Prepaid expenses		2,000	-
Total current assets		<u>2,649,013</u>	<u>1,850,115</u>
Property, plant and equipment:			
Improvements other than buildings		20,619,826	20,619,826
Building		9,502	9,502
Machinery and equipment		1,154,957	1,154,957
Accumulated depreciation		<u>(14,250,487)</u>	<u>(13,803,521)</u>
Net property, plant and equipment		<u>7,533,798</u>	<u>7,980,764</u>
Total assets		\$ <u>10,182,811</u>	<u>9,830,879</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable		13,230	1,619
Accrued payroll and related liabilities		8,033	7,425
Accrued annual and sick leave		8,272	6,382
Total current liabilities		<u>29,535</u>	<u>15,426</u>
Net assets:			
Invested in capital assets		7,533,798	7,980,764
Unrestricted		<u>2,619,478</u>	<u>1,834,689</u>
Total net assets		<u>10,153,276</u>	<u>9,815,453</u>
Total liabilities and net assets		\$ <u>10,182,811</u>	<u>9,830,879</u>

CITY OF KODIAK, ALASKA
Cargo Pier Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Dockage	\$ 138,153	131,510
Wharfage	514,043	549,559
Pier III	305,595	282,088
Cruise ship	113,493	52,130
Rentals	<u>193,474</u>	<u>178,129</u>
Total operating revenues	<u>1,264,758</u>	<u>1,193,416</u>
Operating expenses:		
General and administrative:		
Salaries and benefits	237,606	248,312
Professional	-	305
Goods and services	53,241	55,227
Machinery and equipment	27,467	-
Interfund charges:		
Finance and administration	85,830	99,390
Public works services	50,900	66,090
Harbormaster services	89,010	71,640
Other	<u>3,771</u>	<u>-</u>
Total general and administrative	<u>547,825</u>	<u>540,964</u>
Warehouse:		
Goods and services	10,078	7,377
Machinery and equipment	-	10,179
Professional	<u>851</u>	<u>-</u>
Total warehouse	<u>10,929</u>	<u>17,556</u>
Pier II:		
Goods and services	22,079	19,648
Utilities and fuel	16,944	18,606
Repairs and maintenance	<u>-</u>	<u>140,274</u>
Total pier II	<u>39,023</u>	<u>178,528</u>

CITY OF KODIAK, ALASKA
Cargo Pier Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets, continued

	<u>2009</u>	<u>2008</u>
Operating expenses, continued:		
Pier III:		
Goods and services	\$ 34	141
Utilities and fuel	970	1,325
Total pier III	<u>1,004</u>	<u>1,466</u>
Depreciation	<u>446,966</u>	<u>703,094</u>
Total operating expenses	<u>1,045,747</u>	<u>1,441,608</u>
Earnings (loss) from operations	219,011	(248,192)
Nonoperating revenues:		
Investment income	45,995	77,218
State PERS relief	18,508	22,191
State cruise ship tax	24,778	-
Other	-	1,600
Total nonoperating revenues	<u>89,281</u>	<u>101,009</u>
Earnings (loss) before transfers	308,292	(147,183)
Transfers in	<u>29,531</u>	<u>-</u>
Change in net assets	337,823	(147,183)
Net assets at beginning of year	<u>9,815,453</u>	<u>9,962,636</u>
Net assets at end of year	\$ <u>10,153,276</u>	<u>9,815,453</u>

CITY OF KODIAK, ALASKA
Cargo Pier Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,173,620	1,172,530
Payments for interfund services used	(225,740)	(237,120)
Payments to suppliers	(125,824)	(259,026)
Payments to employees	<u>(191,822)</u>	<u>(221,278)</u>
Net cash flows from operating activities	<u>630,234</u>	<u>455,106</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of property, plant and equipment	-	1,600
Capital contributions received	-	300,025
Transfers in	<u>29,531</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>29,531</u>	<u>301,625</u>
Cash flows from investing activities - investment income received	<u>38,205</u>	<u>77,218</u>
Net increase in cash and investments	697,970	833,949
Cash and investments at beginning of year	<u>1,847,661</u>	<u>1,013,712</u>
Cash and investments at end of year	\$ <u>2,545,631</u>	<u>1,847,661</u>
Reconciliation of earnings (loss) from operations to net cash flows from operating activities:		
Earnings (loss) from operations	219,011	(248,192)
Adjustments to reconcile earnings (loss) from operations to net cash flows provided (used) by operating activities:		
Depreciation	446,966	703,094
Noncash expense - PERS relief	18,508	22,191
Other nonoperating revenues	24,778	-
(Increase) decrease in assets:		
Accounts receivable	(91,138)	8,231
Prepaid expenses	(2,000)	-
Increase (decrease) in liabilities:		
Accounts payable	11,611	(5,944)
Accrued payroll and related liabilities	608	1,965
Accrued annual and sick leave	1,890	2,878
Deferred revenue	<u>-</u>	<u>(29,117)</u>
Net cash flows from operating activities	\$ <u>630,234</u>	<u>455,106</u>

CITY OF KODIAK, ALASKA
 Boat Harbor Enterprise Fund
 Statement of Net Assets
 June 30, 2009
 (With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and investments	\$ 6,676,320	3,110,074
Receivables:		
Grants	-	3,686,800
Accounts	78,181	80,206
Interest	20,429	14,512
Allowance for doubtful accounts	<u>(15,647)</u>	<u>(15,647)</u>
Total current assets	<u>6,759,283</u>	<u>6,875,945</u>
Noncurrent assets:		
Restricted cash and investments - bond reserve	<u>129,581</u>	<u>129,581</u>
Property, plant and equipment:		
Land	677,064	677,064
Buildings	1,523,154	1,523,154
Improvements other than buildings	35,334,088	25,283,894
Machinery and equipment	476,627	476,627
Construction in progress	-	8,054,511
Accumulated depreciation	<u>(18,630,604)</u>	<u>(17,547,323)</u>
Net property, plant and equipment	<u>19,380,329</u>	<u>18,467,927</u>
Total noncurrent assets	<u>19,509,910</u>	<u>18,597,508</u>
Total assets	<u>\$ 26,269,193</u>	<u>25,473,453</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	32,012	378,902
Accrued payroll and related liabilities	37,263	32,604
Accrued interest	32,540	32,540
Accrued annual and sick leave	86,014	72,651
Customer deposits	219,598	190,434
Current portion of bonds payable	<u>30,000</u>	<u>-</u>
Total current liabilities	<u>437,427</u>	<u>707,131</u>
Noncurrent liabilities - revenue bonds	<u>1,970,000</u>	<u>2,000,000</u>
Total liabilities	<u>2,407,427</u>	<u>2,707,131</u>
Net assets:		
Invested in capital assets, net of related debt	17,380,329	16,467,927
Restricted debt service	129,581	129,581
Unrestricted	<u>6,351,856</u>	<u>6,168,814</u>
Total net assets	<u>23,861,766</u>	<u>22,766,322</u>
Total liabilities and net assets	<u>\$ 26,269,193</u>	<u>25,473,453</u>

CITY OF KODIAK, ALASKA
 Boat Harbor Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2009
 (With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Moorage	\$ 1,690,576	1,500,403
Pier and dock fees	221,697	199,303
Administrative fees to other funds	72,540	71,640
Other fees and charges	170,304	189,373
Rentals	15,000	14,302
Penalties and interest	-	7,906
Other	13,882	16,559
Total operating revenues	<u>2,183,999</u>	<u>1,999,486</u>
Operating expenses:		
Salaries and benefits	981,316	941,874
Professional	57,792	69,419
Contributions	31,309	15,607
Goods and services	293,540	262,192
Utilities and fuel	129,735	138,548
Machinery and equipment	50,804	21,890
Interfund charges:		
Finance and administration	85,830	99,390
Public works services	50,900	43,910
Engineering and inspection	16,470	22,180
Repairs and maintenance	-	423,070
Depreciation	1,083,281	835,722
Total operating expenses	<u>2,780,977</u>	<u>2,873,802</u>
Loss from operations	(596,978)	(874,316)
Nonoperating revenues (expenses):		
Investment income	104,655	318,074
Interest expense	(24,405)	-
State PERS relief	76,051	89,415
Net nonoperating revenues (expenses)	<u>156,301</u>	<u>407,489</u>
Loss before contributions and transfers	(440,677)	(466,827)
Capital contributions	921,700	3,686,800
Transfers in	614,421	1,300,000
Transfers out	-	(50,000)
Change in net assets	1,095,444	4,469,973
Net assets at beginning of year	<u>22,766,322</u>	<u>18,296,349</u>
Net assets at end of year	\$ <u>23,861,766</u>	<u>22,766,322</u>

CITY OF KODIAK, ALASKA
 Boat Harbor Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2009
 (With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,142,648	1,886,963
Receipts from interfund services provided	72,540	71,640
Payments for interfund services used	(153,200)	(165,480)
Payments to suppliers	(910,070)	(643,029)
Payments to employees	<u>(887,243)</u>	<u>(829,440)</u>
Net cash flows from operating activities	<u>264,675</u>	<u>320,654</u>
Cash flows from noncapital financing activities - transfers out	<u>-</u>	<u>(50,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	-	-
Interest paid on long-term debt	(24,405)	-
Purchase of property, plant and equipment	(1,995,683)	(7,157,779)
Transfers in	614,421	1,300,000
Proceeds from issuance of long-term debt	-	2,000,000
Capital contributions received	<u>4,608,500</u>	<u>131,076</u>
Net cash flows from capital and related financing activities	<u>3,202,833</u>	<u>(3,726,703)</u>
Cash flows from investing activities - investment income received	<u>98,738</u>	<u>303,562</u>
Net increase (decrease) in cash and investments	3,566,246	(3,152,487)
Cash and investments at beginning of year	<u>3,239,655</u>	<u>6,392,142</u>
Cash and investments at end of year	\$ <u>6,805,901</u>	<u>3,239,655</u>
Reconciliation to Statement of Net Assets:		
Cash and investments	6,676,320	3,110,074
Restricted cash and investments	<u>129,581</u>	<u>129,581</u>
	\$ <u>6,805,901</u>	<u>3,239,655</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(596,978)	(874,316)
Adjustments to reconcile loss from operations to net cash flows provided (used) by operating activities:		
Depreciation	1,083,281	835,722
Noncash expense - PERS relief	76,051	89,415
(Increase) decrease in assets:		
Accounts receivable	2,025	(43,412)
Prepaid expenses	-	1,250
Increase (decrease) in liabilities:		
Accounts payable	(346,890)	286,447
Accrued payroll and related liabilities	4,659	6,977
Accrued annual and sick leave	13,363	16,042
Customer deposits	<u>29,164</u>	<u>2,529</u>
Net cash flows from operating activities	\$ <u>264,675</u>	<u>320,654</u>

CITY OF KODIAK, ALASKA
Boat Harbor Enterprise Fund
Schedule of Harbor Capital Projects
Year Ended June 30, 2009

	<u>St. Herman</u> <u>Harbor</u>
Funding sources:	
Grants	\$ 921,700
Boat Harbor Enterprise Fund	<u>1,000,765</u>
 Total funding sources	 \$ <u>1,922,465</u>
 Expenditures:	
Salaries and benefits	3,816
Engineering and construction	<u>1,918,649</u>
 Total expenditures	 \$ <u>1,922,465</u>

CITY OF KODIAK, ALASKA
 Harbor Electric Utility Enterprise Fund
 Statement of Net Assets
 June 30, 2009
 (With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and investments	\$ 399,688	294,656
Accounts receivable	<u>42,035</u>	<u>36,349</u>
Total current assets	<u>441,723</u>	<u>331,005</u>
Property, plant and equipment - machinery and equipment	118,706	118,706
Accumulated depreciation	<u>(54,171)</u>	<u>(45,533)</u>
Net property, plant and equipment	<u>64,535</u>	<u>73,173</u>
Total assets	\$ <u>506,258</u>	<u>404,178</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	30,850	35,838
Customer deposits	<u>14,500</u>	<u>14,700</u>
Total current liabilities	<u>45,350</u>	<u>50,538</u>
Net assets:		
Invested in capital assets	64,535	73,173
Unrestricted	<u>396,373</u>	<u>280,467</u>
Total net assets	<u>460,908</u>	<u>353,640</u>
Total liabilities and net assets	\$ <u>506,258</u>	<u>404,178</u>

CITY OF KODIAK, ALASKA
Harbor Electric Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Energy charges	\$ 549,492	544,184
Customer charges	122,077	110,145
Other operating revenue	<u>37,145</u>	<u>28,142</u>
Total operating revenues	<u>708,714</u>	<u>682,471</u>
Operating expenses:		
Salaries and benefits	46,632	44,878
Goods and services	543,410	588,624
Machinery and equipment	12,449	6,358
Depreciation	<u>8,638</u>	<u>8,638</u>
Total operating expenses	<u>611,129</u>	<u>648,498</u>
Earnings from operations	97,585	33,973
Nonoperating revenues - investment income	<u>7,851</u>	<u>13,713</u>
Earnings before transfers	105,436	47,686
Transfers in	<u>1,832</u>	<u>-</u>
Change in net assets	107,268	47,686
Net assets at beginning of year	<u>353,640</u>	<u>305,954</u>
Net assets at end of year	\$ <u>460,908</u>	<u>353,640</u>

CITY OF KODIAK, ALASKA
Harbor Electric Utility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 702,828	666,610
Payments to suppliers	(560,847)	(591,060)
Payments to employees	<u>(46,632)</u>	<u>(44,878)</u>
Net cash flows from operating activities	<u>95,349</u>	<u>30,672</u>
Cash flows from capital and related financing activities - transfer in	<u>1,832</u>	<u>-</u>
Cash flows from investing activities - investment income received	<u>7,851</u>	<u>13,713</u>
Net increase in cash and investments	105,032	44,385
Cash and investments at beginning of year	<u>294,656</u>	<u>250,271</u>
Cash and investments at end of year	\$ <u>399,688</u>	<u>294,656</u>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	97,585	33,973
Adjustments to reconcile earnings from operations to net cash flows provided (used) by operating activities:		
Depreciation	8,638	8,638
Increase in assets - accounts receivable	(5,686)	(19,161)
Increase (decrease) in liabilities:		
Accounts payable	(4,988)	3,922
Customer deposits	<u>(200)</u>	<u>3,300</u>
Net cash flows from operating activities	\$ <u>95,349</u>	<u>30,672</u>

CITY OF KODIAK, ALASKA
Water Utility Enterprise Fund
Statement of Net Assets
June 30, 2009
(With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and investments	\$ 3,755,487	4,503,551
Receivables:		
Grants	756,004	555,769
Accounts	273,401	278,835
Interest	11,492	20,773
Allowance for doubtful accounts	(2,224)	(2,224)
Inventory	237,173	231,902
Total current assets	<u>5,031,333</u>	<u>5,588,606</u>
Noncurrent assets:		
Restricted cash and investments	-	221,450
Deferred charges, net of accumulated amortization	-	4,767
Property, plant and equipment:		
Land	2	2
Buildings	3,299,523	3,299,523
Improvements other than buildings	26,260,136	26,260,136
Machinery and equipment	441,761	388,631
Construction in progress	1,383,402	71,232
Accumulated depreciation	(15,160,468)	(14,603,854)
Net property, plant and equipment	<u>16,224,356</u>	<u>15,415,670</u>
Total noncurrent assets	<u>16,224,356</u>	<u>15,641,887</u>
Total assets	\$ <u>21,255,689</u>	<u>21,230,493</u>
Liabilities:		
Current liabilities:		
Accounts payable	1,405,419	226,530
Accrued payroll and related liabilities	18,935	18,033
Accrued annual and sick leave	19,218	16,392
Customer deposits	20,000	16,500
Accrued interest	-	12,238
Current portion of revenue bonds	-	215,000
Total current liabilities	<u>1,463,572</u>	<u>504,693</u>
Noncurrent liabilities:		
Unamortized bond premium	-	3,839
Loan payable	550,000	-
Total noncurrent liabilities	<u>550,000</u>	<u>3,839</u>
Total liabilities	<u>2,013,572</u>	<u>508,532</u>
Net assets:		
Invested in capital assets, net of related debt	15,674,356	15,201,598
Restricted for debt service	-	221,450
Unrestricted	3,567,761	5,298,913
Total net assets	<u>19,242,117</u>	<u>20,721,961</u>
Total liabilities and net assets	\$ <u>21,255,689</u>	<u>21,230,493</u>

CITY OF KODIAK, ALASKA
 Water Utility Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2009
 (With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Sales and user charges	\$ 1,367,408	1,300,000
Meters	852,077	955,245
Other	<u>35,365</u>	<u>21,443</u>
Total operating revenues	<u>2,254,850</u>	<u>2,276,688</u>
 Operating expenses:		
Water department:		
Salaries and benefits	614,681	561,978
Professional	365,201	113,580
Goods and services	55,419	46,015
Utilities and fuel	323,185	416,493
Machinery and equipment	-	2,501
Interfund charges:		
Finance and administration	42,910	49,700
Public works services	16,840	16,530
Repairs and maintenance	3,447,635	936,967
Depreciation	<u>556,614</u>	<u>554,899</u>
Total water department	<u>5,422,485</u>	<u>2,698,663</u>
 Water treatment:		
Professional	6,137	3,039
Goods and services	85,199	65,450
Utilities	18,071	21,493
Machinery and equipment	-	9,763
Interfund charges:		
Finance and administration	42,910	49,700
Public works services	<u>16,840</u>	<u>16,530</u>
Total water treatment	<u>169,157</u>	<u>165,975</u>
 Total operating expenses	<u>5,591,642</u>	<u>2,864,638</u>
 Loss from operations	(3,336,792)	(587,950)

CITY OF KODIAK, ALASKA
 Water Utility Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets, continued

	<u>2009</u>	<u>2008</u>
Nonoperating revenues (expenses):		
Investment income	\$ 60,850	235,394
Interest expense	-	(5,174)
Amortization of bond issuance costs	(4,767)	(4,767)
State PERS relief	42,547	39,367
Net nonoperating revenues (expenses)	<u>98,630</u>	<u>264,820</u>
Loss before contributions and transfers	(3,238,162)	(323,130)
Capital contributions	1,793,672	369,282
Transfers in	799,746	200,000
Transfers out	<u>(835,100)</u>	<u>(200,000)</u>
Change in net assets	(1,479,844)	46,152
Net assets at beginning of year	<u>20,721,961</u>	<u>20,675,809</u>
Net assets at end of year	\$ <u>19,242,117</u>	<u>20,721,961</u>

CITY OF KODIAK, ALASKA
Water Utility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,263,784	2,253,898
Payments for interfund services used	(119,500)	(132,460)
Payments to suppliers	(4,338,034)	(1,814,529)
Payments to employees	(568,406)	(523,061)
Net cash flows from operating activities	<u>(2,762,156)</u>	<u>(216,152)</u>
Cash flows from noncapital financing activities - transfers out	<u>(835,100)</u>	<u>(200,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(215,000)	(205,000)
Interest paid on long-term debt	(16,077)	(9,012)
Proceeds from loan	550,000	-
Purchase of property, plant and equipment	(154,495)	(79,230)
Capital contributions received	1,593,437	8,703
Transfers in	799,746	200,000
Net cash flows from capital and related financing activities	<u>2,557,611</u>	<u>(84,539)</u>
Cash flows from investing activities - investment income received	<u>70,131</u>	<u>214,621</u>
Net decrease in cash and investments	(969,514)	(286,070)
Cash and investments at beginning of year	<u>4,725,001</u>	<u>5,011,071</u>
Cash and investments at end of year	\$ <u><u>3,755,487</u></u>	<u><u>4,725,001</u></u>
Reconciliation to Statement of Net Assets:		
Cash and investments	3,755,487	4,503,551
Restricted cash and investments	-	221,450
	\$ <u><u>3,755,487</u></u>	<u><u>4,725,001</u></u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(3,336,792)	(587,950)
Adjustments to reconcile loss from operations to net cash flows provided (used) by operating activities:		
Depreciation	556,614	554,899
Noncash expense - PERS relief	42,547	39,367
(Increase) decrease in assets:		
Accounts receivable	5,434	(32,690)
Inventory	(5,271)	(23,522)
Increase (decrease) in liabilities:		
Accounts payable	(31,916)	(175,706)
Accrued payroll and related liabilities	902	1,009
Accrued annual and sick leave	2,826	(1,459)
Customer deposits	3,500	9,900
Net cash flows from operating activities	\$ <u><u>(2,762,156)</u></u>	<u><u>(216,152)</u></u>

CITY OF KODIAK, ALASKA
 Water Utility Enterprise Fund
 Schedule of Water Utility Capital Projects
 Year Ended June 30, 2009

	<u>Replacement Project Phase IV</u>
Funding sources:	
Grants	\$ 681,841
Water Utility Enterprise Fund	<u>629,634</u>
Total funding sources	\$ <u>1,311,475</u>
Expenditures:	
Salaries and benefits	16,386
Engineering and inspection	159,956
Construction	<u>1,135,133</u>
Total expenditures	\$ <u>1,311,475</u>

CITY OF KODIAK, ALASKA
Sewer Utility Enterprise Fund
Statement of Net Assets
June 30, 2009
(With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and investments	\$ 1,555,845	701,990
Receivables:		
Grants	-	9,518
Accounts	271,381	246,956
Interest	4,761	-
Allowance for doubtful accounts	(2,867)	(2,867)
Inventory	14,240	18,430
Total current assets	<u>1,843,360</u>	<u>974,027</u>
Property, plant and equipment:		
Land	16,931	16,931
Buildings	19,008,010	19,008,010
Improvements other than buildings	16,370,667	16,370,667
Machinery and equipment	506,083	501,583
Accumulated depreciation	(17,758,924)	(16,543,452)
Net property, plant and equipment	<u>18,142,767</u>	<u>19,353,739</u>
Total assets	<u>\$ 19,986,127</u>	<u>20,327,766</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	55,293	79,550
Accrued payroll and related liabilities	31,164	26,321
Accrued annual and sick leave	89,040	72,570
Accrued interest	7,038	8,044
Current portion of loans payable	201,097	201,907
Total current liabilities	<u>383,632</u>	<u>388,392</u>
Noncurrent liabilities - loans payable, net of current portion	<u>1,756,585</u>	<u>1,406,872</u>
Total liabilities	<u>2,140,217</u>	<u>1,795,264</u>
Net assets:		
Invested in capital assets, net of related debt	16,185,085	17,744,960
Unrestricted	1,660,825	787,542
Total net assets	<u>17,845,910</u>	<u>18,532,502</u>
Total liabilities and net assets	<u>\$ 19,986,127</u>	<u>20,327,766</u>

CITY OF KODIAK, ALASKA
Sewer Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Sewer charges	\$ 2,741,693	2,442,912
Septic truck fees	58,433	42,322
Lab testing fees	21,167	16,390
Total operating revenues	<u>2,821,293</u>	<u>2,501,624</u>
Operating expenses:		
Sewer department:		
Salaries and benefits	116,462	119,100
Professional	204,735	70,404
Goods and services	46,335	35,798
Repairs and maintenance	-	905,295
Machinery and equipment	-	3,584
Wastewater treatment:		
Salaries and benefits	759,695	710,440
Professional	154,752	153,058
Goods and services	158,561	169,378
Utilities and fuel	235,756	284,596
Machinery and equipment	4,196	4,623
Interfund services:		
Administrative	28,640	26,240
Finance and administration	57,180	73,160
Public works services	33,680	33,060
Depreciation	<u>1,215,472</u>	<u>1,213,949</u>
Total operating expenses	<u>3,015,464</u>	<u>3,802,685</u>
Loss from operations	(194,171)	(1,301,061)
Nonoperating revenues (expenses):		
Investment income	27,845	60,440
Interest expense	(23,126)	(26,143)
State PERS relief	61,502	68,745
Other nonoperating revenues	4,384	8,801
Net nonoperating revenues (expenses)	<u>70,605</u>	<u>111,843</u>
Loss before transfers	(123,566)	(1,189,218)
Transfers in	86,974	-
Transfers out	<u>(650,000)</u>	<u>(600,000)</u>
Change in net assets	(686,592)	(1,789,218)
Net assets at beginning of year	<u>18,532,502</u>	<u>20,321,720</u>
Net assets at end of year	\$ <u>17,845,910</u>	<u>18,532,502</u>

CITY OF KODIAK, ALASKA
Sewer Utility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,801,252	2,482,848
Payments for interfund services used	(119,500)	(132,460)
Payments to suppliers	(824,402)	(2,294,510)
Payments to employees	<u>(793,342)</u>	<u>(746,213)</u>
Net cash flows from operating activities	<u>1,064,008</u>	<u>(690,335)</u>
Cash flows from noncapital financing activities - transfers out	<u>(650,000)</u>	<u>(600,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on loans	(201,097)	(201,097)
Interest paid on loans	(24,132)	(27,148)
Proceeds from loan	550,000	-
Purchase of property, plant and equipment	(4,500)	(23,908)
Transfers in	86,974	-
Capital contributions received	<u>9,518</u>	<u>(4,568)</u>
Net cash flows from capital and related financing activities	<u>416,763</u>	<u>(256,721)</u>
Cash flows from investing activities - investment income received	<u>23,084</u>	<u>60,440</u>
Net increase (decrease) in cash and investments	853,855	(1,486,616)
Cash and investments at beginning of year	<u>701,990</u>	<u>2,188,606</u>
Cash and investments at end of year	\$ <u>1,555,845</u>	<u>701,990</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(194,171)	(1,301,061)
Adjustments to reconcile loss from operations to net cash flows provided (used) by operating activities:		
Depreciation	1,215,472	1,213,949
Noncash expense - PERS relief	61,502	68,745
Other nonoperating revenues	4,384	8,801
(Increase) decrease in assets:		
Accounts receivable	(24,425)	(27,577)
Inventory	4,190	(3,015)
Increase (decrease) in liabilities:		
Accounts payable	(24,257)	(664,759)
Accrued payroll and related liabilities	4,843	1,338
Accrued annual and sick leave	<u>16,470</u>	<u>13,244</u>
Net cash flows from operating activities	\$ <u>1,064,008</u>	<u>(690,335)</u>

CITY OF KODIAK, ALASKA
 Trident Basin Enterprise Fund
 Statement of Net Assets
 June 30, 2009
 (With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets - receivables:		
Grants	\$ 96,632	113,699
Accounts	<u>6,284</u>	<u>2,331</u>
Total current assets	<u>102,916</u>	<u>116,030</u>
Property, plant and equipment:		
Improvements other than buildings	615,000	615,000
Construction in progress	4,974,593	4,863,959
Accumulated depreciation	<u>(445,875)</u>	<u>(415,125)</u>
Net property, plant and equipment	<u>5,143,718</u>	<u>5,063,834</u>
Total assets	\$ <u>5,246,634</u>	<u>5,179,864</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	1,366	1,063
Customer deposits	1,536	1,536
Due to other funds	<u>632,460</u>	<u>516,142</u>
Total current liabilities	<u>635,362</u>	<u>518,741</u>
Net assets:		
Invested in capital assets	5,143,718	5,063,834
Unrestricted (deficit)	<u>(532,446)</u>	<u>(402,711)</u>
Total net assets	<u>4,611,272</u>	<u>4,661,123</u>
Total liabilities and net assets	\$ <u>5,246,634</u>	<u>5,179,864</u>

CITY OF KODIAK, ALASKA
Trident Basin Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Moorage	\$ 11,954	10,458
Rentals	18,617	17,861
Total operating revenues	<u>30,571</u>	<u>28,319</u>
Operating expenses:		
Salaries and benefits	2,417	1,902
Professional	4,274	2,569
Goods and services	15,597	13,105
Utilities and fuel	5,909	6,390
Administrative services	3,440	-
Interfund services:		
Finance and administration	57,830	99,390
Public works services	57,190	38,834
Depreciation	30,750	30,750
Total operating expenses	<u>177,407</u>	<u>192,940</u>
Loss from operations	(146,836)	(164,621)
Nonoperating revenues - investment income (loss)	<u>353</u>	<u>(9,596)</u>
Loss before contributions	(146,483)	(174,217)
Capital contributions	<u>96,632</u>	<u>402,609</u>
Change in net assets	(49,851)	228,392
Net assets at beginning of year	<u>4,661,123</u>	<u>4,432,731</u>
Net assets at end of year	\$ <u>4,611,272</u>	<u>4,661,123</u>

CITY OF KODIAK, ALASKA
 Trident Basin Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2009
 (With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 26,618	28,981
Payments for interfund services used	(115,020)	(138,224)
Payments to suppliers	(28,917)	(296,981)
Payments to employees	(2,417)	(1,902)
Net cash flows from operating activities	<u>(119,736)</u>	<u>(408,126)</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(110,634)	(440,812)
Increase (decrease) in due to other funds	116,318	(989,363)
Capital contributions received	113,699	1,847,897
Net cash flows from capital and related financing activities	<u>119,383</u>	<u>417,722</u>
Cash flows from investing activities - investment income (loss)	<u>353</u>	<u>(9,596)</u>
Net increase in cash and investments	-	-
Cash and investments at beginning of year	<u>-</u>	<u>-</u>
Cash and investments at end of year	\$ <u>-</u>	<u>-</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(146,836)	(164,621)
Adjustments to reconcile loss from operations to net cash flows provided (used) by operating activities:		
Depreciation	30,750	30,750
(Increase) decrease in assets - accounts receivable	(3,953)	662
Increase (decrease) in liabilities - accounts payable	303	(274,917)
Net cash flows from operating activities	\$ <u>(119,736)</u>	<u>(408,126)</u>

CITY OF KODIAK, ALASKA
Trident Basin Enterprise Fund
Schedule of Trident Basin Capital Projects
Year Ended June 30, 2009

	<u>Seaplane Ramps</u>
Funding sources:	
Grants	\$ 96,632
Trident Basin Enterprise Fund	<u>14,002</u>
 Total funding sources	 \$ <u>110,634</u>
 Expenditures:	
Engineering and inspection	13,500
Construction	<u>97,134</u>
 Total expenditures	 \$ <u>110,634</u>

CITY OF KODIAK, ALASKA
 Boat Yard/Lift Enterprise Fund
 Statement of Net Assets
 June 30, 2009
 (With Comparative Amounts for 2008)

	<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:			
Cash and investments		\$ -	3,605,903
Receivables:			
Grants		1,422,731	365,505
Interest		-	18,431
Total current assets		<u>1,422,731</u>	<u>3,989,839</u>
Noncurrent assets:			
Restricted cash and investments - bond reserve		375,469	302,831
Property, plant and equipment - construction in progress		<u>12,918,027</u>	<u>1,338,105</u>
Total noncurrent assets		<u>13,293,496</u>	<u>1,640,936</u>
Total assets		\$ <u>14,716,227</u>	<u>5,630,775</u>
Liabilities:			
Current liabilities:			
Accounts payable		941,729	960,665
Accrued interest		82,481	64,777
Due to other funds		2,823,810	-
Current portion of bonds payable		75,000	-
Deferred revenue		-	80,511
Total current liabilities		<u>3,923,020</u>	<u>1,105,953</u>
Noncurrent liabilities - revenue bonds		<u>4,925,000</u>	<u>4,000,000</u>
Total liabilities		<u>8,848,020</u>	<u>5,105,953</u>
Net assets:			
Invested in capital assets, net of related debt		7,918,027	474,822
Restricted for debt service		375,469	302,831
Unrestricted (deficit)		<u>(2,425,289)</u>	<u>(252,831)</u>
Total net assets		<u>5,868,207</u>	<u>524,822</u>
Total liabilities and net assets		\$ <u>14,716,227</u>	<u>5,630,775</u>

CITY OF KODIAK, ALASKA
 Boat Yard/Lift Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2009
 (With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues	\$ <u>-</u>	<u>-</u>
Operating expenses:		
Professional	16,184	-
Goods and services	1,518	-
Machinery and equipment	<u>17,302</u>	<u>-</u>
Total operating expenses	<u>35,004</u>	<u>-</u>
Loss from operations	(35,004)	-
Nonoperating revenues - investment income	<u>7,671</u>	<u>-</u>
Loss before contributions and transfers	(27,333)	-
Transfers in	-	50,000
Capital contributions	<u>5,370,718</u>	<u>474,822</u>
Change in net assets	5,343,385	524,822
Net assets at beginning of year	<u>524,822</u>	<u>-</u>
Net assets at end of year	\$ <u><u>5,868,207</u></u>	<u><u>524,822</u></u>

CITY OF KODIAK, ALASKA
 Boat Yard/Lift Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2009
 (With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities - payments to suppliers	\$ <u>(35,004)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(11,562,723)	(331,094)
Transfers in	-	50,000
Proceeds from issuance of long-term debt	1,000,000	4,000,000
Capital contributions received	4,232,981	189,828
Increase in due to other funds	<u>2,823,810</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>(3,505,932)</u>	<u>3,908,734</u>
Cash flows from investing activities - investment income received	<u>7,671</u>	<u>-</u>
Net increase (decrease) in cash and investments	(3,533,265)	3,908,734
Cash and investments at beginning of year	<u>3,908,734</u>	<u>-</u>
Cash and investments at end of year	\$ <u><u>375,469</u></u>	<u><u>3,908,734</u></u>
Reconciliation to Statement of Net Assets:		
Cash and investments	-	3,605,903
Restricted cash and investments	<u>375,469</u>	<u>302,831</u>
	\$ <u><u>375,469</u></u>	<u><u>3,908,734</u></u>

CITY OF KODIAK, ALASKA
Boat Yard/Lift Enterprise Fund
Schedule of Boat Yard/Lift Capital Projects
Year Ended June 30, 2009

	<u>600 Ton Lift</u>
Funding sources:	
Grants	\$ 5,370,718
Boat Yard/Lift Enterprise Fund	<u>6,209,204</u>
 Total funding sources	 \$ <u>11,579,922</u>
 Expenditures:	
Salaries and benefits	17,583
Engineering and inspection	261,145
Construction and equipment	11,117,636
Other	<u>183,558</u>
 Total expenditures	 \$ <u>11,579,922</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Insurance

This fund is used to account for the purchase of insurance through a public risk pool and the subsequent payments of claims and insurance premiums.

PERS

This fund is used to account for the accumulation of pension and other post employment benefits and corresponding payments to the Public Employees Retirement System. This fund was closed effective July 1, 2008.

CITY OF KODIAK, ALASKA
 Internal Service Funds
 Combining Statement of Net Assets
 June 30, 2009

	<u>Assets</u>	<u>Insurance</u>	<u>PERS</u>	Total Internal Service Funds
Cash and investments	\$	<u>334,606</u>	<u>-</u>	<u>334,606</u>
<u>Liabilities and Net Assets</u>				
Current liabilities - accounts payable		9,062	-	9,062
Net assets - unrestricted		<u>325,544</u>	<u>-</u>	<u>325,544</u>
Total liabilities and net assets	\$	<u>334,606</u>	<u>-</u>	<u>334,606</u>

CITY OF KODIAK, ALASKA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009

	<u>Insurance</u>	<u>PERS</u>	<u>Total Internal Service Funds</u>
Operating revenues - charges for services	\$ 597,974	-	597,974
Operating expenses - insurance	<u>609,890</u>	<u>-</u>	<u>609,890</u>
Loss from operations	(11,916)	-	(11,916)
Nonoperating revenues - investment income	<u>12,509</u>	<u>-</u>	<u>12,509</u>
Earnings before transfers	593	-	593
Transfers out	(500,000)	(1,280,697)	(1,780,697)
Special item - write off NPO/OPEB	<u>-</u>	<u>1,153,915</u>	<u>1,153,915</u>
Change in net assets	(499,407)	(126,782)	(626,189)
Net assets at beginning of year	<u>824,951</u>	<u>126,782</u>	<u>951,733</u>
Net assets at end of year	\$ <u><u>325,544</u></u>	<u><u>-</u></u>	<u><u>325,544</u></u>

CITY OF KODIAK, ALASKA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2009

	<u>Insurance</u>	<u>PERS</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 597,974	-	597,974
Payments to suppliers	<u>(582,985)</u>	<u>-</u>	<u>(582,985)</u>
Net cash flows from operating activities	<u>14,989</u>	<u>-</u>	<u>14,989</u>
Cash flows from noncapital financing activities - transfers out	<u>(500,000)</u>	<u>(1,280,697)</u>	<u>(1,780,697)</u>
Cash flows from investing activities - investment income received	<u>12,509</u>	<u>-</u>	<u>12,509</u>
Net decrease in cash and investments	(472,502)	(1,280,697)	(1,753,199)
Cash and investments at beginning of year	<u>807,108</u>	<u>1,280,697</u>	<u>2,087,805</u>
Cash and investments at end of year	\$ <u>334,606</u>	<u>-</u>	<u>334,606</u>
Reconciliation of earnings (loss) from operations to net cash flows from operating activities:			
Earnings (loss) from operations	(11,916)	-	(11,916)
Adjustments to reconcile earnings (loss) from operations to net cash flows provided by operating activities:			
Decrease in assets - prepaid insurance	17,843	-	17,843
Decrease in liabilities - accounts payable	<u>9,062</u>	<u>-</u>	<u>9,062</u>
Net cash flows from operating activities	\$ <u>14,989</u>	<u>-</u>	<u>14,989</u>

CITY OF KODIAK, ALASKA
Insurance Internal Service Fund
Statement of Net Assets
June 30, 2009
(With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and investments	\$ 334,606	807,108
Prepaid insurance	<u>-</u>	<u>17,843</u>
 Total assets	 \$ <u>334,606</u>	 <u>824,951</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities - accounts payable	9,062	-
Net assets - unrestricted	<u>325,544</u>	<u>824,951</u>
 Total liabilities and net assets	 \$ <u>334,606</u>	 <u>824,951</u>

CITY OF KODIAK, ALASKA
Insurance Internal Service Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues - charges for services	\$ 597,974	627,666
Operating expenses - insurance	<u>609,890</u>	<u>598,587</u>
Earnings (loss) from operations	(11,916)	29,079
Nonoperating revenues - investment income	<u>12,509</u>	<u>33,933</u>
Earnings before transfers	593	63,012
Transfers out	<u>(500,000)</u>	<u>(1,200,000)</u>
Change in net assets	(499,407)	(1,136,988)
Net assets at beginning of year	<u>824,951</u>	<u>1,961,939</u>
Net assets at end of year	\$ <u>325,544</u>	<u>824,951</u>

CITY OF KODIAK, ALASKA
Insurance Internal Service Fund
Statement of Cash Flows
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 597,974	627,666
Payments to suppliers	<u>(582,985)</u>	<u>(173,842)</u>
Net cash flows from operating activities	<u>14,989</u>	<u>453,824</u>
Cash flows from noncapital financing activities - transfers out	<u>(500,000)</u>	<u>(1,200,000)</u>
Cash flows from investing activities - investment income received	<u>12,509</u>	<u>33,933</u>
Net decrease in cash and investments	(472,502)	(712,243)
Cash and investments at beginning of year	<u>807,108</u>	<u>1,519,351</u>
Cash and investments at end of year	\$ <u><u>334,606</u></u>	<u><u>807,108</u></u>
Reconciliation of earnings (loss) from operations to net cash flows from operating activities:		
Earnings (loss) from operations	(11,916)	29,079
Adjustments to reconcile earnings (loss) from operations to net cash flows provided (used) by operating activities:		
Decrease in assets - prepaid insurance	17,843	425,956
Increase (decrease) in liabilities - accounts payable	<u>9,062</u>	<u>(1,211)</u>
Net cash flows from operating activities	\$ <u><u>14,989</u></u>	<u><u>453,824</u></u>

CITY OF KODIAK, ALASKA
PERS Internal Service Fund
Statement of Net Assets
June 30, 2009
(With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets - cash and investments	\$ <u>-</u>	<u>1,280,697</u>
 <u>Liabilities and Net Assets</u>		
Noncurrent liabilities - net pension/OPEB obligation	-	1,153,915
Net assets - unrestricted	<u>-</u>	<u>126,782</u>
Total liabilities and net assets	\$ <u>-</u>	<u>1,280,697</u>

CITY OF KODIAK, ALASKA
PERS Internal Service Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues - charges for services	\$ -	2,445,917
Operating expenses - employee benefits	<u>-</u>	<u>2,445,917</u>
Earnings from operations	-	-
Nonoperating revenues - investment income	<u>-</u>	<u>49,635</u>
Earnings before transfers and special item	-	49,635
Transfers out	(1,280,697)	
Special item - write off NPO/OPEB	<u>1,153,915</u>	<u>-</u>
Change in net assets	(126,782)	49,635
Net assets at beginning of year	<u>126,782</u>	<u>77,147</u>
Net assets at end of year	\$ <u><u>-</u></u>	<u><u>126,782</u></u>

CITY OF KODIAK, ALASKA
PERS Internal Service Fund
Statement of Cash Flows
Year Ended June 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ -	2,445,917
Payments to suppliers	<u>-</u>	<u>(2,445,917)</u>
Net cash flows from operating activities	<u>-</u>	<u>-</u>
Cash flows from noncapital financing activities - transfers out	<u>(1,280,697)</u>	<u>-</u>
Cash flows from investing activities - investment income received	<u>-</u>	<u>49,635</u>
Net increase (decrease) in cash and investments	(1,280,697)	49,635
Cash and investments at beginning of year	<u>1,280,697</u>	<u>1,231,062</u>
Cash and investments at end of year	\$ <u>-</u>	<u>1,280,697</u>

CITY OF KODIAK, ALASKA
 Kodiak Fisheries Development Association Agency Fund
 Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2009

	Balance at July 1, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, <u>2009</u>
Current assets - cash and investments	\$ <u>31,308</u>	<u>46,146</u>	<u>54,048</u>	<u>23,406</u>
Current liabilities:				
Accounts payable	6,217	48,040	54,047	210
Due to others	<u>25,091</u>	<u>46,146</u>	<u>48,041</u>	<u>23,196</u>
Total liabilities	\$ <u>31,308</u>	<u>94,186</u>	<u>102,088</u>	<u>23,406</u>

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FEDERAL AND STATE EXPENDITURES

The schedules of expenditures of federal awards and state financial assistance itemize the sources of grant funds received by the City during the year and corresponding expenditures as required by Government Auditing Standards.

CITY OF KODIAK, ALASKA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2009

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>July 1, 2008 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Grant Receipts</u>	<u>June 30, 2009 Receivable (Deferred)</u>
Department of Interior							
Historic Preservation of the Erskine House/Baranov Museum	02-01-05	15.904	\$ 250,000	(68,693)	50,000	-	(18,693)
Department of Transportation							
Kodiak Trident Seaplane Base	AIP 3-02-0450-002-2006	20.106	4,080,000	113,699	-	113,699	-
Department of Commerce							
Public Works & Economic Development Facilities Program	07-01-05717	11.300	2,300,000	365,505	1,934,495	1,739,822	560,178
Department of Homeland Security							
Passed through the State of Alaska							
Department of Military and Veterans Affairs:							
Emergency Management Program	09EMPG-GR35565	97.042	30,000	-	15,944	-	15,944
Emergency Management Program	08EMPG-GR35569	97.042	30,000	17,544	12,456	30,000	-
State Homeland Security Grant	2006-GE-T6-0015	97.073	1,314	-	1,314	1,314	-
Law Enforcement Terrorism Prevention	07LETPP-GR34238	97.074	34,609	6,000	8,400	6,000	8,400
Total Department of Homeland Security				23,544	38,114	37,314	24,344
Environmental Protection Agency							
Passed through the State of Alaska							
Department of Environmental Conservation -							
Monashka Dam Upgrade Phase II (75% Federal)	50333	66.606	1,951,900	146,392	-	146,392	-
Department of Justice							
Bulletproof Vest Partnership	2007BUBX07039120	16.607	15,703	293	297	590	-
Total Federal Financial Assistance			\$	580,740	2,022,906	2,037,817	565,829

CITY OF KODIAK, ALASKA
 Schedule of State Financial Assistance
 Year Ended June 30, 2009

<u>Name of Award</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>July 1, 2008 Receivable (Deferred)</u>	<u>State Share of Expenditures</u>	<u>State Receipts</u>	<u>June 30, 2009 Receivable (Deferred)</u>
Department of Commerce, Community and Economic Development						
* State Revenue Sharing	N/A	389,286	-	389,286	389,286	-
* Marine Travel Lift	06-DC-134	\$2,000,000	150,359	1,205,353	1,355,712	-
Municipal Airport Improvements	07-DC-499	700,000	-	486	486	-
* Public Safety Building	07-DC-501	1,000,000	495	195,219	195,714	-
* Community Jail Reimbursements	08-DC-430	2,000,000	-	2,000,000	2,000,000	-
Baranof Park Improvements	09-DC-096	100,000	-	1,605	1,605	-
* Large Vessel Lift and Boat Yard	09-DC-847	2,000,000	-	2,000,000	1,137,447	862,553
Fisheries Business Tax	N/A	70,855	-	70,855	70,855	-
Total Department of Commerce, Community and Economic Development			<u>150,854</u>	<u>5,862,804</u>	<u>5,151,105</u>	<u>862,553</u>
Department of Transportation & Public Facilities						
* St. Herman Harbor (M&P Float Replacement)	08-HG-001	4,608,500	3,686,800	921,700	4,608,500	-
Kodiak Trident Basin FY 07 AIP Match Grant	N/A	107,368	-	96,632	-	96,632
Traffic Safty Equipment	PT-2009-09-06-01	7,334	-	6,893	6,893	-
Total Department of Transportation & Public Facilities			<u>3,686,800</u>	<u>1,025,225</u>	<u>4,615,393</u>	<u>96,632</u>
Department of Environmental Conservation						
Monashka Dam Upgrade Phase II (25% state)	50333	488,000	48,798	-	48,798	-
* Aleutian Home Water & Sewer Replacement, Phase II	50335	1,481,000	360,579	1,111,718	1,398,247	74,050
* Aleutian Home Water & Sewer Replacement, Phase 4	50336	1,764,000	-	681,841	-	681,841
UV Secondary Water Treatment Facility	50337	2,800,000	-	113	-	113
Total Department of Environmental Conservation			<u>409,377</u>	<u>1,793,672</u>	<u>1,447,045</u>	<u>756,004</u>
Department of Revenue						
* Raw Fish Tax Sharing	N/A	946,635	-	946,635	946,635	-
Aviation Gas Sharing	N/A	6,634	-	6,634	6,634	-
Commercial Passenger Vessel Excise Tax	N/A	24,778	-	24,778	24,778	-
Alcohol Beverage Sharing	N/A	31,600	-	31,600	31,600	-
Telephone/Electric Cooperative	N/A	39,963	-	39,963	-	39,963
Total Department of Revenue			<u>-</u>	<u>1,049,610</u>	<u>1,009,647</u>	<u>39,963</u>
Department of Education and Early Development						
Public Library Assistance	PLA-09-702-41	6,350	-	6,350	6,350	-
Interlibrary Cooperation Grant	N/A	2,580	-	2,580	2,580	-
Total Department of Education and Early Development			<u>-</u>	<u>8,930</u>	<u>8,930</u>	<u>-</u>
Department of Administration						
* PERS Relief	N/A	830,234	-	830,234	830,234	-
Total State Financial Assistance		\$	<u>4,247,031</u>	<u>10,570,475</u>	<u>13,062,354</u>	<u>1,755,152</u>

* Major program

CITY OF KODIAK, ALASKA

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2009

Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the grant activity of City of Kodiak and are presented on the modified accrual basis of accounting. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

STATISTICAL

SECTION

STATISTICAL SECTION

This part of the City of Kodiak’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	128-132
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
Revenue Capacity	133-137
These schedules contain information to help the reader assess the government’s most significant local revenue source, sales tax, and other information on property taxes.	
Debt Capacity	138-141
These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	
Demographic and Economic Information	142-144
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
Operating Information	145-146
These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF KODIAK
Net Assets by Component
Last Eight Fiscal Years
 (accrual basis of accounting)

	Fiscal year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities:								
Invested in capital assets,								
net of related debt	\$ 10,806,885	11,164,043	13,184,178	15,861,107	17,363,043	18,423,911	19,715,240	19,649,138
Restricted	-	-	-	-	-	-	-	-
Unrestricted	<u>22,058,706</u>	<u>22,489,743</u>	<u>22,046,319</u>	<u>18,351,673</u>	<u>17,069,035</u>	<u>17,120,507</u>	<u>20,490,905</u>	<u>26,532,000</u>
Total governmental activities								
net assets	<u>\$ 32,865,591</u>	<u>33,653,786</u>	<u>35,230,497</u>	<u>34,212,780</u>	<u>34,432,078</u>	<u>35,544,418</u>	<u>40,206,145</u>	<u>46,181,138</u>
Business-type activities:								
Invested in capital assets,								
net of related debt	\$ 52,027,076	51,792,843	51,589,299	52,631,132	55,710,846	59,739,871	63,002,311	69,899,848
Restricted	628,530	-	-	259,875	221,450	221,450	653,862	505,050
Unrestricted	<u>16,847,195</u>	<u>17,661,437</u>	<u>17,419,992</u>	<u>17,355,843</u>	<u>17,124,604</u>	<u>15,161,107</u>	<u>14,894,324</u>	<u>11,638,558</u>
Total business-type activities								
net assets	<u>\$ 69,502,801</u>	<u>69,454,280</u>	<u>69,009,291</u>	<u>70,246,850</u>	<u>73,056,900</u>	<u>75,122,428</u>	<u>78,550,497</u>	<u>82,043,456</u>
Primary government:								
Invested in capital assets,								
net of related debt	\$ 62,833,961	62,956,886	64,773,477	68,492,239	73,073,889	78,163,782	82,717,551	89,548,986
Restricted	628,530	-	-	259,875	221,450	221,450	653,862	505,050
Unrestricted	<u>38,905,901</u>	<u>40,151,180</u>	<u>39,466,311</u>	<u>35,707,516</u>	<u>34,193,639</u>	<u>32,281,614</u>	<u>35,385,229</u>	<u>38,170,558</u>
Total primary government								
activities net assets	<u>\$ 102,368,392</u>	<u>103,108,066</u>	<u>104,239,788</u>	<u>104,459,630</u>	<u>107,488,978</u>	<u>110,666,846</u>	<u>118,756,642</u>	<u>128,224,594</u>

There is no history in this format prior to the early implementation of GASB Statement No. 34 in fiscal year 2002.

Table 2

CITY OF KODIAK
 Changes in Net Assets
 Last Eight Fiscal Years
 (accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Expenses								
Governmental activities:								
General government	\$ 1,237,263	1,674,970	1,783,346	1,968,566	2,244,270	2,328,195	2,442,402	2,419,468
Public safety	4,041,480	4,167,480	4,476,289	4,971,607	5,054,994	5,384,713	5,987,605	5,932,145
Public works	1,508,158	2,295,522	2,014,583	3,335,631	2,503,999	1,825,719	2,113,620	4,268,602
Engineering	272,670	263,998	147,284	157,750	215,981	167,571	167,812	140,886
Parks & recreation	865,306	961,792	1,024,215	2,642,528	1,124,144	1,099,535	1,009,117	1,133,502
Library	548,829	622,544	645,675	638,789	639,399	669,518	711,172	697,856
Community services	718,320	336,314	399,985	282,011	262,834	213,032	126,562	435,970
Interest on long-term debt	-	-	-	-	-	-	75,410	398,252
Construction in progress	1,196,614	-	-	-	-	-	-	-
Total governmental activities expenses	<u>10,388,640</u>	<u>10,322,620</u>	<u>10,491,377</u>	<u>13,996,882</u>	<u>12,045,621</u>	<u>11,688,283</u>	<u>12,633,700</u>	<u>15,426,681</u>
Business-type activities:								
Cargo Pier	\$ 1,558,369	1,246,889	1,127,264	1,232,903	1,714,611	1,796,372	1,438,477	1,046,188
Boat Harbor	2,359,262	2,319,251	2,329,622	2,239,588	2,329,106	2,397,171	2,867,113	2,782,150
Boat Yard/Lift	-	-	-	-	-	-	-	35,019
Harbor Electric	903,186	461,058	449,179	471,593	488,004	640,125	648,498	611,387
Water Utility	2,119,447	1,608,101	1,826,774	1,683,286	1,740,225	2,893,352	2,864,069	5,598,768
Sewer Utility	445,876	2,820,381	2,533,580	2,538,608	2,659,591	5,288,305	3,800,645	3,016,736
Trident Basin	-	-	-	-	67,105	152,474	192,228	177,482
Total business-type activities expenses	<u>7,386,140</u>	<u>8,455,680</u>	<u>8,266,419</u>	<u>8,165,978</u>	<u>8,998,642</u>	<u>13,167,799</u>	<u>11,811,030</u>	<u>13,267,730</u>
Total primary government expenses	\$ <u>17,774,780</u>	<u>18,778,300</u>	<u>18,757,796</u>	<u>22,162,860</u>	<u>21,044,263</u>	<u>24,856,082</u>	<u>24,444,730</u>	<u>28,694,411</u>
Program revenues								
Governmental activities:								
Charges for services:								
General government	\$ 93,306	682,442	584,789	699,789	589,054	520,490	671,690	625,030
Public safety	803,968	862,593	995,157	908,256	910,753	1,003,467	1,022,257	1,033,791
Public works	579,528	151,727	938,371	376,077	395,490	406,595	357,420	313,568
Engineering	194,219	189,264	60,000	60,000	60,000	89,250	88,740	142,175
Parks & recreation	94,490	110,903	101,114	97,895	117,795	125,332	115,562	117,173
Library	16,405	17,758	19,901	24,451	23,334	18,578	18,623	16,140
Community services	102,952	101,634	55,751	-	-	-	-	-
Operating grants and contributions	23,307	74,734	14,587	10,500	20,700	12,700	37,154	44,520
Capital grants and contributions	177,336	190,467	634,174	1,394,878	1,265,164	520,832	1,007,347	2,311,754
Total governmental activities program revenues	<u>2,085,511</u>	<u>2,381,522</u>	<u>3,403,844</u>	<u>3,571,846</u>	<u>3,382,290</u>	<u>2,697,244</u>	<u>3,318,793</u>	<u>4,604,151</u>
Business-type activities:								
Charges for services:								
Cargo Pier	\$ 1,835,099	792,974	874,720	925,354	1,069,814	1,140,213	1,193,416	1,264,758
Boat Harbor	1,855,910	1,183,714	1,114,408	1,465,129	1,616,940	1,894,868	1,999,486	2,183,999
Boat Yard/Lift	-	-	-	-	-	-	-	-
Harbor Electric	680,462	456,923	442,330	423,407	547,840	678,706	682,471	708,714
Water Utility	1,102,429	1,917,796	1,955,759	2,003,579	2,096,333	2,120,037	2,276,688	2,254,850
Sewer Utility	463,421	1,864,475	1,856,773	1,875,801	1,882,108	2,213,233	2,501,624	2,821,293
Trident Basin	-	-	-	-	19,791	17,765	28,319	30,571
Operating grants and contributions	381,639	-	2,778	-	-	-	-	-
Capital grants and contributions	-	1,307,715	707,191	2,210,453	2,647,341	4,631,660	4,933,513	8,182,722
Total business-type activities program revenues	<u>6,318,960</u>	<u>7,523,597</u>	<u>6,953,959</u>	<u>8,903,723</u>	<u>9,880,167</u>	<u>12,696,482</u>	<u>13,615,517</u>	<u>17,446,907</u>
Total primary government program revenues	\$ <u>8,404,471</u>	<u>9,905,119</u>	<u>10,357,803</u>	<u>12,475,569</u>	<u>13,262,457</u>	<u>15,393,726</u>	<u>16,934,310</u>	<u>22,051,058</u>
Net (expense)/revenue:								
Governmental activities	\$ (8,303,129)	(7,941,098)	(7,087,533)	(10,425,036)	(8,663,331)	(8,991,039)	(9,314,907)	(10,822,530)
Business-type activities	<u>(1,067,180)</u>	<u>(932,083)</u>	<u>(1,312,460)</u>	<u>737,745</u>	<u>881,525</u>	<u>(471,317)</u>	<u>1,804,487</u>	<u>4,179,177</u>
Total primary government net expenses	\$ <u>(9,370,309)</u>	<u>(8,873,181)</u>	<u>(8,399,993)</u>	<u>(9,687,291)</u>	<u>(7,781,806)</u>	<u>(9,462,356)</u>	<u>(7,510,420)</u>	<u>(6,643,353)</u>

CITY OF KODIAK
 Changes in Net Assets
 Last Eight Fiscal Years
 (accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes:								
Property taxes	\$ 635,692	638,092	618,751	630,567	632,495	632,102	655,943	651,699
Sales taxes	6,990,918	7,115,078	7,316,442	7,795,331	8,136,785	8,465,804	8,850,746	9,277,394
Other taxes, penalties and interest	118,216	126,079	121,082	171,318	2,246	125,284	174,443	199,832
Loss on disposal of assets	-	-	-	-	(213,435)	-	-	-
Grants and entitlements not restricted to a specific purpose	1,454,498	946,404	1,024,134	668,195	1,053,177	1,387,466	2,521,664	2,125,313
Investment income	1,086,768	583,096	183,015	509,793	402,339	946,861	993,447	730,096
Land sales	-	-	-	-	-	-	1,415,900	1,518,308
Other	158,453	72,398	-	13,798	249,022	172,748	64,491	1,168,070
Transfers	(642,000)	(437,000)	(470,000)	(381,683)	(1,380,000)	(1,626,886)	(700,000)	1,126,811
Total governmental activities	<u>9,802,545</u>	<u>9,044,147</u>	<u>8,793,424</u>	<u>9,407,319</u>	<u>8,882,629</u>	<u>10,103,379</u>	<u>13,976,634</u>	<u>16,797,523</u>
Business-type activities:								
Grants and entitlements not restricted to a specific purpose	-	-	-	-	66,223	-	-	-
Loss on disposal of assets	-	-	-	-	(14,731)	-	-	-
Investment income	386,181	386,858	113,756	284,567	545,117	856,379	729,548	260,355
Other	147,030	(15,640)	283,715	(166,436)	(48,084)	53,580	194,034	180,238
Transfers	642,000	437,000	470,000	381,683	1,380,000	1,626,886	700,000	(1,126,811)
Total business-type activities	<u>1,175,211</u>	<u>808,218</u>	<u>867,471</u>	<u>499,814</u>	<u>1,928,525</u>	<u>2,536,845</u>	<u>1,623,582</u>	<u>(686,218)</u>
Total primary government	<u>\$ 10,977,756</u>	<u>9,852,365</u>	<u>9,660,895</u>	<u>9,907,133</u>	<u>10,811,154</u>	<u>12,640,224</u>	<u>15,600,216</u>	<u>16,111,305</u>
Change in Net Assets								
Governmental activities	\$ 1,499,416	1,103,049	1,705,891	(1,017,717)	219,298	1,112,340	4,661,727	5,974,993
Business-type activities	<u>108,031</u>	<u>(123,865)</u>	<u>(444,989)</u>	<u>1,237,559</u>	<u>2,810,050</u>	<u>2,065,528</u>	<u>3,428,069</u>	<u>3,492,959</u>
Total primary government	<u>\$ 1,607,447</u>	<u>979,184</u>	<u>1,260,902</u>	<u>219,842</u>	<u>3,029,348</u>	<u>3,177,868</u>	<u>8,089,796</u>	<u>9,467,952</u>

There is no history in this format prior to the early implementation of GASB Statement No. 34 in fiscal year 2002.

CITY OF KODIAK
Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund:								
Reserved	\$ 67,727	1,535,196	876,022	24,109	4,410	251,108	48,735	14,622
Unreserved	<u>5,959,288</u>	<u>3,757,730</u>	<u>4,620,192</u>	<u>6,071,577</u>	<u>4,868,452</u>	<u>5,322,163</u>	<u>8,261,482</u>	<u>7,689,501</u>
Total General Fund	\$ <u>6,027,015</u>	<u>5,292,926</u>	<u>5,496,214</u>	<u>6,095,686</u>	<u>4,872,862</u>	<u>5,573,271</u>	<u>8,310,217</u>	<u>7,704,123</u>
All other governmental funds:								
Reserved	\$ -	8,458,704	8,454,348	1,200,000	-	-	-	-
Unreserved, reported in:								
Special revenue funds	9,100,024	8,525,529	7,714,372	6,021,936	5,996,074	4,141,849	5,410,939	3,743,007
Capital project funds	<u>5,827,019</u>	-	-	<u>4,631,014</u>	<u>5,519,696</u>	<u>6,680,620</u>	<u>14,765,170</u>	<u>15,263,690</u>
Total other governmental funds	\$ <u>14,927,043</u>	<u>16,984,233</u>	<u>16,168,720</u>	<u>11,852,950</u>	<u>11,515,770</u>	<u>10,822,469</u>	<u>20,176,109</u>	<u>19,006,697</u>

There is no history in this format prior to the early implementation of GASB Statement No. 34 in fiscal year 2002.

CITY OF KODIAK
 Changes in Fund Balances of Governmental Funds
 Last Eight Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues								
Taxes	\$ 7,740,939	7,879,249	8,056,275	8,551,379	8,929,890	9,223,190	9,681,132	10,128,925
Intergovernmental	1,427,806	1,211,605	1,672,895	1,815,685	2,249,839	1,897,112	3,566,165	4,481,587
Charges for services	1,125,387	1,237,887	1,150,469	1,169,988	1,204,864	1,304,629	1,219,155	1,232,892
Fines and forfeitures	-	19,180	36,890	44,770	55,934	29,452	55,479	20,122
Licenses and permits	44,628	38,063	54,758	58,319	43,064	51,535	102,748	76,679
Rental income	227,335	196,331	225,284	231,496	187,374	168,356	136,480	213,460
Interfund charges	714,853	616,410	516,477	662,020	605,160	609,740	760,430	690,920
Investment income	1,028,756	583,096	183,015	509,793	383,909	878,442	944,184	722,722
Special assessments	3,887	40,362	55,389	246,921	293,351	195,827	99,587	91,300
Sale of land	-	-	-	-	-	-	1,415,330	1,518,308
Other revenues	158,453	99,428	21,846	13,673	90,658	110,960	65,061	14,155
Total revenues	\$ <u>12,472,044</u>	<u>11,921,611</u>	<u>11,973,298</u>	<u>13,304,044</u>	<u>14,044,043</u>	<u>14,469,243</u>	<u>18,045,751</u>	<u>19,191,070</u>
Expenditures								
General government	\$ 1,220,408	1,306,947	1,447,188	1,542,525	1,790,557	1,838,143	1,968,278	1,947,971
Public safety	3,845,478	3,920,562	4,196,991	4,552,442	5,204,895	5,422,461	5,806,415	5,686,969
Public works	1,234,394	1,339,028	1,307,523	1,610,106	1,729,607	2,032,734	1,816,084	4,274,007
Engineering	269,282	246,621	142,789	168,871	216,394	158,090	162,559	128,245
Parks and recreation	745,949	771,511	903,068	850,848	950,291	986,890	1,006,513	1,013,620
Library	535,196	570,322	622,716	598,915	650,423	668,146	704,219	695,715
Community services	707,919	273,865	287,487	279,689	260,513	262,754	267,839	426,747
Other - insurance and administration	-	320,053	399,985	548,991	497,178	461,949	484,548	474,613
Debt service principal	-	-	-	-	-	-	-	135,000
Debt service interest	-	-	-	-	-	-	15,344	377,227
Capital outlay	1,196,614	1,932,581	3,307,776	6,486,272	2,924,189	1,004,082	2,223,366	7,539,755
Total expenditures	\$ <u>9,755,240</u>	<u>10,681,490</u>	<u>12,615,523</u>	<u>16,638,659</u>	<u>14,224,047</u>	<u>12,835,249</u>	<u>14,455,165</u>	<u>22,699,869</u>
Excess of revenues over (under) expenditures	2,716,804	1,240,121	(642,225)	(3,334,615)	(180,004)	1,633,994	3,590,586	(3,508,799)
Other financing sources (uses)								
General obligation bond issuance	-	-	-	-	-	-	8,000,000	-
Transfers in	3,191,937	3,683,891	3,652,752	3,346,892	3,512,057	5,416,011	11,422,989	11,180,416
Transfers out	(3,833,937)	(3,870,891)	(3,622,752)	(3,728,575)	(4,892,057)	(7,042,897)	(10,922,989)	(9,447,123)
Proceeds from sale of assets	-	7,700	-	-	-	-	-	-
Net other financing sources (uses)	<u>(642,000)</u>	<u>(187,000)</u>	<u>30,000</u>	<u>(381,683)</u>	<u>(1,380,000)</u>	<u>(1,626,886)</u>	<u>8,500,000</u>	<u>1,733,293</u>
Net change in fund balance	\$ <u>2,074,804</u>	<u>1,053,121</u>	<u>(612,225)</u>	<u>(3,716,298)</u>	<u>(1,560,004)</u>	<u>7,108</u>	<u>12,090,586</u>	<u>(1,775,506)</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.13%	3.45%

There is no history in this format prior to the early implementation of GASB Statement No. 34 in fiscal year 2002.

CITY OF KODIAK
 General Governmental Tax Revenues By Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
2000	\$ 584,528	\$ 7,182,194	\$ 115,185	\$ 7,881,907
2001	626,018	6,967,355	113,433	7,706,806
2002	635,692	6,990,918	101,795	7,728,405
2003	638,092	7,115,078	126,079	7,879,249
2004	618,751	7,316,442	109,243	8,044,436
2005	630,567	7,795,331	105,992	8,531,890
2006	632,495	8,136,785	133,781	8,903,061
2007	632,102	8,465,804	101,294	9,199,200
2008	655,943	8,850,746	146,385	9,653,074
2009	651,699	9,277,394	168,267	10,097,360

CITY OF KODIAK

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
2000	\$ 196,580,732	\$ 127,452,559	\$ 17,410,836	\$ 306,622,455	2.00	\$ 317,825,644	96.48%
2001	198,442,285	131,401,005	17,846,690	311,996,600	2.00	318,562,700	97.94%
2002	200,426,095	132,563,595	20,752,850	312,236,840	2.00	320,636,000	97.38%
2003	203,166,495	132,939,363	20,613,100	315,492,758	2.00	333,023,400	94.74%
2004	204,930,695	132,993,636	22,156,200	315,768,131	2.00	328,154,600	96.23%
2005	198,553,895	133,377,637	16,769,000	315,162,532	2.00	339,253,700	92.90%
2006	198,407,195	135,496,037	17,644,700	316,258,532	2.00	358,713,700	88.16%
2007	202,102,695	136,851,037	18,696,800	320,256,932	2.00	376,672,400	85.02%
2008	204,268,195	136,704,037	19,575,700	321,396,532	2.00	389,892,700	82.43%
2009	207,887,196	139,455,992	21,028,450	326,314,738	2.00	416,724,100	78.30%

Source: Kodiak Island Borough Assessing Department and the State of Alaska Department of Commerce & Economic Development
Note: Property tax is calculated at full value as of January 1 of the tax year. Annually the Borough reports to the State the taxable value of property. The State then evaluates the report and adds in optionally exempted property to determine the Estimated Actual Taxable Value. The total Tax Rate is based on \$1,000 of assessed value.

CITY OF KODIAK
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(per \$100 of Assessed Value)

Fiscal Year	City of Kodiak			Kodiak Island Borough			Total Direct & Overlapping Rates	
	Real Property Millage	Personal Property Millage	Total City Millage	Real Property Millage	Personal Property Millage	Total Borough Millage	Real Property	Personal Property
2000	2.00	0.00	2.00	9.25	9.25	18.50	11.25	9.25
2001	2.00	0.00	2.00	9.25	9.25	18.50	11.25	9.25
2002	2.00	0.00	2.00	9.25	9.25	18.50	11.25	9.25
2003	2.00	0.00	2.00	9.25	9.25	18.50	11.25	9.25
2004	2.00	0.00	2.00	9.25	9.25	18.50	11.25	9.25
2005	2.00	0.00	2.00	10.25	10.25	20.50	12.25	10.25
2006	2.00	0.00	2.00	11.00	11.00	22.00	13.00	11.00
2007	2.00	0.00	2.00	10.50	10.50	21.00	12.50	10.50
2008	2.00	0.00	2.00	10.50	10.50	21.00	12.50	10.50
2009	2.00	0.00	2.00	10.50	10.50	10.50	12.50	10.50

Source: City of Kodiak records and Kodiak Island Borough records

CITY OF KODIAK
Top Ten Sales Tax Business Categories & Principal Property Taxpayers
 June 30, 2009

<u>Business Category</u>	2009		Percentage of Total Sales Receipts
	Total Sales Receipts	Rank	
Retail Trade	\$ 148,764,829	1	36.08%
Construction	64,021,884	2	15.53%
Wholesale Trade	46,342,208	3	11.24%
Utilities	30,736,600	4	7.45%
Manufacturing	22,708,197	5	5.51%
Accommodation and Food Services	21,284,609	6	5.16%
Other Services (except Public Administration)	19,956,263	7	4.84%
Real Estate and Rental and Leasing	15,712,323	8	3.81%
Information	11,053,738	9	2.68%
Transportation and Warehousing	7,907,007	10	1.92%
	<u>\$ 388,487,658</u>		<u>94.22%</u>

<u>Taxpayer</u>			Percentage of Total Taxable Assessed Value
	Taxable Assessed Value	Rank	
Ocean Beauty Seafoods Inc.	\$ 16,237,441	1	5.05%
Westward Seafoods, Inc	11,852,090	2	3.69%
Alaska Communciations Systems	11,645,093	3	3.62%
International Seafoods of Alaska	10,879,502	4	3.39%
Wal-Mart Real Estate Business Trust	9,987,787	5	3.11%
Brechan Enterprises Inc	9,569,530	6	2.98%
Trident Seafoods Corporation	9,028,842	7	2.81%
Mill Bay Plaza Associates, Ltd	8,648,400	8	2.69%
GCI	7,563,488	9	2.35%
Koncor	6,797,500	10	2.11%
	<u>\$ 102,209,673</u>		<u>31.80%</u>

Source: City of Kodiak records and Kodiak Island Borough records.

Note: City sales tax rate is 6%, with a maximum taxable transaction amount of \$750; any amount over \$750 is tax exempt. The maximum tax to be charged on a transaction is \$45.

Comparative sales tax information is not available until fiscal year 2001.

Comparative principal property taxpayers for 1999 is not available.

CITY OF KODIAK
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$ 613,245	\$ 590,713	96.33%	\$ 6,205	\$ 596,918	97.34%
2001	623,993	602,134	96.50%	20,533	622,667	99.79%
2002	624,485	614,242	98.36%	21,450	635,692	101.79%
2003	630,930	621,970	98.58%	18,122	640,092	101.45%
2004	626,232	616,172	98.39%	2,579	618,751	98.81%
2005	631,536	628,516	99.52%	2,051	630,567	99.85%
2006	630,325	623,763	98.96%	8,732	632,495	100.34%
2007	632,517	599,261	94.74%	16,420	615,681	97.34%
2008	641,218	640,435	99.88%	15,508	655,943	102.30%
2009	653,397	644,857	98.69%	6,842	651,699	99.74%

CITY OF KODIAK
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities		Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Alaska Clean Water Fund Loan	Alaska Drinking Water Fund Loan		
2000	\$ -	\$ 3,420,000	\$ -	\$ -	2.0%	\$ 540
2001	-	2,870,000	3,016,458	-	3.5%	969
2002	-	2,290,000	2,815,361	-	3.0%	837
2003	-	1,675,000	2,614,264	-	2.5%	696
2004	-	1,015,000	2,413,167	-	1.9%	553
2005	-	820,000	2,212,070	-	1.6%	498
2006	-	620,000	2,010,973	-	1.3%	443
2007	-	420,000	1,809,876	-	1.1%	392
2008	8,000,000	6,215,000	1,608,779	-	3.6%	2,649
2009	7,865,000	7,000,000	1,957,682	550,000	4.0%	2,908

CITY OF KODIAK
 Direct and Overlapping Debt
 As of June 30, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Kodiak General Obligation Bonds	\$ 7,865,000	100%	\$ <u>7,865,000</u>
Kodiak Island Borough General Obligation Bonds	<u>32,450,000</u>	38%	<u>12,331,000</u>
Total direct and overlapping debt	\$ <u>40,315,000</u>		\$ <u>20,196,000</u>

Source: Assessed value data used to estimate applicable percentages provided by the Kodiak Island Borough and the State of Alaska.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Kodiak Island Borough's taxable assessed value that is within the City of Kodiak's boundaries and dividing it by the Kodiak Island Borough's total taxable assessed value.

CITY OF KODIAK
Legal Debt Margin Information
As of June 30, 2009

Assessed Value	\$ 347,343,188
Less Exempt Property	<u>21,028,450</u>
 Total	 \$ 326,314,738

The State of Alaska does not mandate a debt limit to its municipalities and political subdivisions. Debt capacity is ultimately determined by the voters and the marketplace.

Source: Kodiak Island Borough assessment reports

CITY OF KODIAK
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water Utility Revenue Bonds					
	Water Utility	Less:	Net	Debt Service		Coverage
	Charges and Other	Operating Expenses	Available Revenue	Principal	Interest	
2000	\$ 1,937,868	\$ 1,171,457	\$ 766,411	\$ 150,000	\$ 94,090	3.14
2001	1,844,466	1,281,907	562,559	155,000	87,265	2.32
2002	1,847,576	981,400	866,176	160,000	76,000	3.67
2003	1,917,796	908,158	1,009,638	170,000	68,135	4.24
2004	1,955,759	1,136,290	819,469	200,000	12,170	3.86
2005	2,003,554	1,190,561	812,993	195,000	24,475	3.70
2006	2,096,333	1,236,460	859,873	200,000	20,575	3.90
2007	2,120,037	2,412,612	(292,575)	200,000	16,575	-1.35
2008	2,276,688	2,309,739	(33,051)	205,000	9,013	-0.15
2009	2,254,850	5,035,028	(2,780,178)	215,000	3,225	-12.74

Operating expenses excludes depreciation.

CITY OF KODIAK
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2000	6,334	\$ 168,954,477	\$ 29,636	2,798	8.6%
2001	6,076	170,108,974	27,928	2,750	11.2%
2002	6,100	168,070,000	29,927	2,828	11.2%
2003	6,161	169,690,463	32,384	2,697	10.2%
2004	6,194	179,615,748	32,616	2,696	10.3%
2005	6,088	185,356,421	34,446	2,701	8.8%
2006	5,937	194,989,036	35,114	2,736	8.7%
2007	5,689	206,202,418	36,717	2,685	6.8%
2008	5,974	216,662,949	36,268	2,650	7.0%
2009	5,974	226,719,274	37,951	2,661	7.9%

Source: State of Alaska, Department of Commerce, Community, and Economic Development and the Department of Labor, and Kodiak Island Borough School District.

2009 population figures won't be released until January 2010. Personal income and per capita income are on a calendar year basis.

CITY OF KODIAK
Principal Employers
Current Year

<u>Employer</u>	2009		<u>Percentage of Total City Employment</u>
	<u>Employees</u>	<u>Rank</u>	
Kodiak Island Borough School District	462	1	5.14%
Federal Government	342	2	3.80%
International Seafoods	251	3	2.79%
Trident Seafood Corporation	250	4	2.78%
Ocean Beauty Seafoods	222	5	2.47%
Providence Hospital	218	6	2.42%
North Pacific Processors, Inc.	217	7	2.41%
State Government	194	8	2.16%
City of Kodiak	159	9	1.77%
Carrs/Safeway	139	10	1.55%

Source: Kodiak Chamber of Commerce Quarterly Economic report and the State of Alaska Department of Labor.

Note: Employers are ranked by number of workers listed in Alaska Department of Labor and Workforce Development, Research and Analysis Section. Number of employees for some employers are listed in ranges

CITY OF KODIAK
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government	12.00	12.00	12.00	12.00	11.00	12.50	12.50	11.30	12.05	12.30
Public Safety:										
Police	36.00	36.00	36.00	36.00	36.00	36.00	35.00	35.00	37.00	37.00
Fire	12.75	12.50	12.50	12.50	12.75	12.75	12.75	12.75	13.75	13.75
Public Works	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.50	9.50	9.50
Engineering	4.00	4.00	4.00	4.00	3.00	3.00	3.00	2.00	2.00	2.00
Parks and Recreation	6.00	6.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00
Library	6.00	7.00	7.00	7.00	7.00	7.00	7.00	6.75	6.75	6.75
Harbor	13.00	13.00	13.00	13.00	14.00	14.00	14.00	14.00	14.00	16.40
Water	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.60	6.60	6.60
Sewer	8.00	8.00	8.00	8.00	8.00	8.00	7.00	7.80	8.60	9.35
Total	<u>113.75</u>	<u>114.50</u>	<u>114.50</u>	<u>114.50</u>	<u>112.75</u>	<u>114.25</u>	<u>112.25</u>	<u>110.70</u>	<u>115.25</u>	<u>118.65</u>

Note: Full-time equivalent employees are permanent employees.

CITY OF KODIAK
Operating Indicators by Function
Last Eight Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Function								
Police:								
Complaints investigated	7,525	7,304	7,512	7,352	7,796	8,195	8,376	8,839
Motor vehicle collision reports	207	223	191	126	180	86	67	89
Bookings/admissions	887	1,045	1,027	900	1,000	959	850	917
Investigations conducted	142	233	172	240	264	200	147	125
911 calls received & services dispatched	785	906	865	900	910	1,257	1,777	1,021
Fire:								
Fire response within 5 minutes	NA	NA	90%	90%	90%	90%	90%	90%
EMS response within 5 minutes	NA	NA	90%	90%	90%	90%	90%	90%
Public Works:								
Streets								
Time spent on snow removal (man hours)	3,500	3,100	3,000	1,274	2,827	5,883	5,558	5,900
Garage								
Preventative maintenance checks	150	160	150	150	107	113	113	132
Building inspection								
Building permits issued	107	201	223	203	224	190	182	197
Engineering -								
Projects completed on schedule & within budget	100%	100%	100%	100%	100%	100%	100%	100%
Parks and Recreation:								
Landscape maintenance (in acres)	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5
Teen center attendance	NA	17,058	17,453	16,283	11,245	31,111	29,829	32,920
Number of aquatic participants	NA	12,123	13,274	10,386	7,993	19,496	13,566	15,463
Ice rink attendance	NA	NA	6,654	10,362	10,000	10,000	19,594	32,679
Library:								
Number of visitors	146,217	148,000	148,897	149,000	149,757	149,702	149,572	149,320
Number of materials withdrawn	4,177	2,500	4,225	3,500	2,111	3,750	3,334	3,800
Harbor:								
Vehicle, boat and foot patrol hours	9,543	8,188	10,489	10,500	6,996	5,832	7,000	7,000
Number of owner accounts	4,100	2,490	2,229	2,400	1,543	1,314	1,400	1,400
Water -								
All regulations met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sewer:								
Treatment standards met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Discharge effluent limits met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Note: In 2005 the swimming pool had a 3 month emergency closure. The ice rink was new in 2004.

There is no history in this format prior to the early implementation of GASB Statement No. 34 in fiscal year 2002.

CITY OF KODIAK
Capital Asset Statistics by Function
Last Eight Years

Function	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police:								
Police stations	1	1	1	1	1	1	1	1
Police vehicles	26	25	23	22	21	20	20	20
Fire:								
Fire stations	1	1	1	1	1	1	1	1
Fire vehicles	9	10	10	11	11	10	9	9
Public Works:								
Streets (miles)	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4
Runways (feet)	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650
Parks and Recreation:								
Number of parks/ playgrounds	14	14	14	14	14	14	14	14
Teen center	1	1	1	1	1	1	1	1
Ice rink	0	0	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1
Harbor:								
Number of harbors	2	2	2	2	2	2	2	2
Piers & docks	6	6	6	6	6	6	6	6
Water:								
Water mains (miles)	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4
Number of reservoirs	4	4	4	4	4	4	4	4
Sewer:								
Sewer mains (miles)	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9
Lift stations	18	18	20	20	20	20	20	20

There is no history in this format prior to the early implementation of GASB Statement No. 34 in fiscal year 2002.

SINGLE
AUDIT
SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable Mayor and City Council
City of Kodiak, Alaska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kodiak, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Kodiak's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kodiak's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Kodiak's internal control over financial reporting

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Honorable Mayor and City Council
City of Kodiak, Alaska

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kodiak's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management and others within the entity, and federal and state awarding agencies, and, if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
December 7, 2009

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council
City of Kodiak, Alaska

Compliance

We have audited the compliance of City of Kodiak with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. City of Kodiak's major federal programs are identified in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Kodiak's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Kodiak's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Kodiak's compliance with those requirements.

In our opinion, the City of Kodiak complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Honorable Mayor and City Council
City of Kodiak, Alaska

Internal Control Over Compliance

The management of City of Kodiak is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Kodiak's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kodiak's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
December 7, 2009

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council
City of Kodiak, Alaska

Compliance

We have audited the compliance of City of Kodiak with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended June 30, 2009. City of Kodiak's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of City of Kodiak's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Kodiak's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Kodiak's compliance with those requirements.

In our opinion, the City of Kodiak complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2009.

Honorable Mayor and City Council
City of Kodiak, Alaska

Internal Control Over Compliance

The management of City of Kodiak is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered City of Kodiak's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kodiak's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by an entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the City Council, management, and the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
December 7, 2009

CITY OF KODIAK, ALASKA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance for major programs?

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes X no

Identification of major programs:

<u>Agency</u>	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Department of Commerce	11.300	Public Works & Economic Development Facilities Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance for major programs?

Unqualified

CITY OF KODIAK, ALASKA

Schedule of Findings and Questioned Costs, continued

Summary of Auditor's Results, continued

State Financial Assistance, continued

Dollar threshold used to distinguish a state
major program?

\$100,000

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

None noted.

IV. State Award Findings and Questioned Costs

None noted.

CITY OF KODIAK, ALASKA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2009

Federal

There were no prior year audit findings.

State of Alaska

There were no prior year audit findings.

CITY OF KODIAK, ALASKA

Corrective Action Plan

Year Ended June 30, 2009

There are no current year findings; therefore no corrective action plan is required.